

taking Risk

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TODAY
EUROPEAN EDITION Page 10
LEISURE Page 10

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Traders at the Sao Paulo Stock Exchange calling out during Thursday's sell-off, one of the world's sharpest.

Hyde Disclosure Roils Congress

Bipartisan Attack Comes Amid Debate on Clinton

By Brian Knowlton
International Herald Tribune

WASHINGTON — A leading Republican angrily demanded Thursday that the FBI investigate the source of a report that Representative Henry Hyde, the chairman of the House committee examining allegations against President Bill Clinton, had an extramarital affair 30 years ago.

The Republican, Tom DeLay, the House whip, said, "We have reason to believe that top aides, with access to the White House, have orchestrated a conspiracy to intimidate members of Congress by using their past lives as an embarrassment."

The White House vehemently and repeatedly denied any connection to the story about Mr. Hyde, which was first reported by Salon, an Internet magazine that has been supportive of Mr. Clinton.

Should the FBI find a link, however, Mr. DeLay said, "This could be added to the impeachment inquiry."

Mr. DeLay was part of an outpouring of Republican condemnations of the Salon story — joined by many Democrats — that came as the Judiciary Committee, headed by Mr. Hyde, 74, was debating the release of a videotape of Mr. Clinton's grand jury testimony in the Monica Lewinsky case.

Anger filled the air throughout the day as Mr. Clinton's private attorney, David Kendall, said that he had asked the independent counsel, Kenneth Starr, to discard the videotape once all grand jurors had seen it, and that Mr. Starr's refusal to do so could only reflect a desire "to ensure its public release and embarrass the president."

Democratic members of the committee introduced motions Thursday to delay or limit the evidence to be released. But the majority Republicans were expected to prevail, meaning the

See CLINTON, Page 7

America's Great Sex Scandal? Havel Turns to Home Runs

By Michael T. Kaufman
New York Times Service

WASHINGTON — It might not have been apparent to most Americans, but from the Czech perspective it was clear that President Vaclav Havel, by appearing at President Bill Clinton's side at a news conference, was not merely repaying a friend for having opened the way for his country to join the North Atlantic Treaty Organization.

A target himself of accusations of philandering, Mr. Havel was standing in solidarity with a fellow politician who was trying to cope with a culture much more judgmental than his own.

Asked several times about Mr. Clinton's difficulties involving sex, Mr. Havel looked up at the president, with whom he had once played a saxophone

duet in Prague, called him a great friend and praised him for his international leadership.

Pressed for more of a response, the Czech president said he would like to offer congratulations to Mark McGwire and to wish success to Sammy Sosa for their home run records.

As for the rest of it, he said, "I don't like to speak about things which I don't understand."

It is not that Czechs ignore sex or the yearnings of their leaders and fellow citizens. Indeed, no country has a serious literature in which sex and politics intertwine so profoundly.

Perhaps the best known example of this is Milan Kundera's novel, "The Unbearable Lightness of Being," where the hero's conflicted yearnings for the down-to-earth Tereza and the tantalizingly ethereal Sabina serve as metaphors for broader themes of freedom and responsibility.

Similar uses of private affairs to reflect public issues appear

See HAVEL, Page 7

Basques' Cease-Fire Gets Muted Response

Spain Reacts Warily, but Separatists See Hope of Lasting Peace Accord

By Al Goodman
New York Times Service

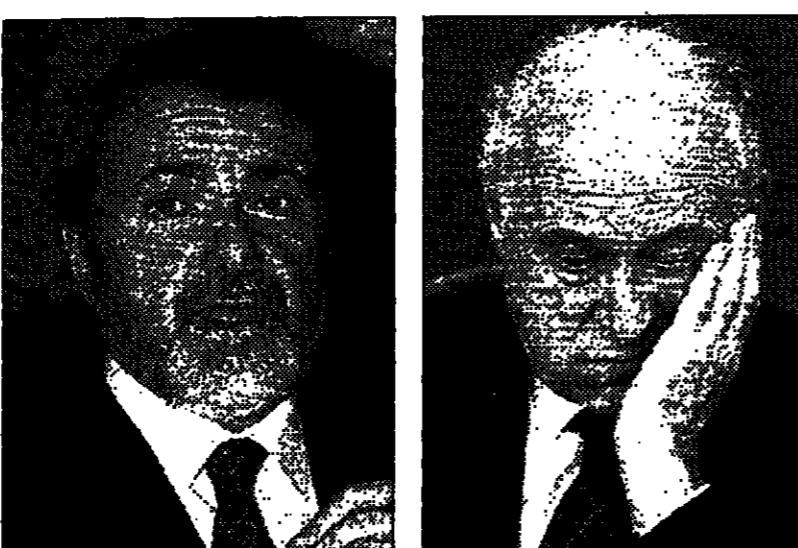
MADRID — The conservative government and the opposition Socialist Party were in rare lockstep Thursday, reacting cautiously to the declaration by the Basque separatist group ETA of the first "indefinite" cease-fire in its 30-year battle for an independent homeland.

But three smaller Basque nationalist parties, including one linked to the guerrillas, who are blamed for 800 deaths, expressed optimism that the unilateral truce could augur a lasting peace, even though the rebels vowed to retain their weapons in self-defense.

Prime Minister Jose Maria Aznar, while on an official visit to Peru, said, "After 30 years of terrorist activity we cannot give the ETA organization the benefit of the doubt."

He added: "If ETA really wants to put an end to its trail of death, it has to realize that any step toward credibility must be earned with deeds and not words."

The cautious stance was not unexpected. Mr. Aznar survived an ETA bomb in 1995 when he was the opposition leader, and the rebels have killed five of his Popular Party town councilors since last year.



Mr. Mayor Oreja, left, discussing the cease-fire Thursday in Madrid. Xavier Arzallus, president of the Basque nationalist party PNV, in Bilbao.

The current and past governments have insisted there can be no talks with the rebels until they renounce violence.

"We are not content with a truce," said Joaquin Almunia, the Socialist Party secretary-general. "We want peace, which means the permanent abandonment of arms, and respect for the law and the results of elections."

The cease-fire, announced in a four-page communiqué late Wednesday and due to take effect Friday, comes just before the Oct. 25 elections for the Basque regional Parliament, where the moderate Basque Nationalist Party has governed for 10 years with support from the Socialists.

Interior Minister Jaime Mayor Oreja warned this week that the anticipated truce offer could be an election ploy to gain votes for the nationalist parties.

The nationalist parties seemed to be burying their political differences Saturday by making a united appeal for multilateral peace talks, inspired by the

recent peace accord in Northern Ireland.

"We do not want to raise hopes or play games with the public's strong desire for peace," Mr. Mayor Oreja said on national television as he read the government's official response to the ETA announcement.

ETA, whose initials in the Basque language stand for Basque Homeland and Liberty, has observed four limited truces since 1981. The new, unconditional cease-fire comes as 535 ETA convicts or suspects are held in Spanish jails, with dozens more imprisoned in France, the result of increased cooperation between Madrid and Paris to stanch the terrorism.

The Spanish government and courts have also cracked down on ETA's supporters.

The Supreme Court sentenced the top 23 leaders of the leftist Herri Batasuna party to seven years each in jail in

Newsstand Prices	
Andorra	10.00 FF Lebanon
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Italy	2.800 Lira Spain
Ivory Coast	1.250 CFA Tunisia
Jordan	1.250 JD U.A.E.
Kuwait	.700 Fils U.S. M.E. (Eur.) \$1.20

AT&T

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See BURMA, Page 7

Fear of Global Recession Causes Sell-Off in Stocks

Hope for Lower Interest Rates Wanes, Analysts Say

By Tom Buerkle
International Herald Tribune

LONDON — The turmoil in world financial markets took a dramatic turn for the worse Thursday as fear of a global recession sent stock prices tumbling in every major market and put fresh pressure on the U.S. Federal Reserve Board and other central banks to cut interest rates.

Many analysts blamed the Fed for the sell-off, saying comments by its chairman, Alan Greenspan, had dashed a central hope that was buoying world markets late Wednesday hinted that the Fed was not discussing a concerted easing of monetary policy with other central banks.

But beyond the disappointment on rates, markets were rattled by mounting evidence that the recession spreading from Asia to other emerging economies was beginning to undermine growth prospects and corporate profitability in the United States and Europe. The United States and Germany reported a deterioration in exports Thursday; the Ifo research

institute reported that German business confidence declined in August as the economic crisis in Russia deepened, and the French telecommunications giant Alcatel SA issued a warning of lower profits.

"We're clearly in trouble," said David Hale, chief economist at Zurich Kemper Investments. "On the current trend line, 60 percent of the world will be in recession next year. It's gone so far now it's probably impossible to stop."

Deflation crisis? U.S. Federal Reserve chief triggers a big debate. Page 15

markets. Mr. Greenspan was unlikely to cut rates immediately and said it was not discussing a concerted easing of monetary policy with other central banks.

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See MARKETS, Page 16

U.S. Faces an Asian Wall

Officials Try to Keep Region's Markets Open

By Don Kirk
International Herald Tribune

SEOUL — As the United States reported Thursday that its trade deficit had widened sharply again, its trade officials encountered a wall of resistance to American efforts to pry open key Asian markets, officials reported.

Their failure added to the sense of frustration among U.S. officials visiting the region this week. Their main fear is that access to the region's markets will close as leaders across Asia attempt to strengthen their own economies and industries through increased exports, largely to the United States.

In Japan, the U.S. trade representative, Charlene Barshefsky, has been trying to convince the Japanese of the need to open their markets as an antidote to a possible record surplus in Japanese trade with the United States.

But Ms. Barshefsky elicited noncommittal responses from the ministers of international trade and industry, agriculture and telecommunications to demands for freer markets and deregulation.

"She didn't get any progress but understood what we thought," said Shin Hosaka, deputy director of the North American desk at Japan's Ministry of International Trade and Industry.

In Seoul, after three days of talks on providing easier access to the South Korean market for motor vehicles, a U.S. negotiating team "failed to reach an agreement" with South Korean negotiators, the Foreign Ministry said.

In Washington, the Commerce Department reported that the U.S. trade deficit widened to \$13.9 billion in July as Asia's downturn hurt U.S. farm and manufacturing sales overseas.

The trade report showed that the July deficit was 2.1 percent wider than June's imbalance of \$13.6 billion.

That made July's the third-highest monthly deficit on record, surpassed only by May and April.

See TRADE, Page 13

Dissidents Throw Down Gauntlet to Burma Junta

By Seth Mydans
New York Times Service

BANGKOK — In their riskiest challenge yet to the military rulers of Burma, a small group of opposition politicians said Thursday that they would act as the country's legitimate Parliament and declared all laws and proclamations issued by the ruling junta null and void.

The 10 politicians, led by Daw Aung San Suu Kyi, are members of the National League for Democracy, which won an election in 1990 for a Parliament that was never allowed to take office.

When Daw Aung San Suu Kyi announced last month that she planned to convene the Parliament, the military responded with its biggest wave of arrests since a crackdown on demonstrators in 1988 that took thousands of lives. The League said that 843 members of the party had been arrested, including 195 of its elected representatives.

"I think this is the most volatile and unpredictable moment in the last 10 years in Burma," said Josef Silvertstein, an expert on the country at Rutgers University in New Jersey. With the opposition going for broke and the military refusing to compromise, a diplomat in Burma called the confrontation "an approaching train wreck."

In its statement Thursday, the opposition said, "The Committee Representing Elected Lawmakers formed by the National League for Democracy on Sept. 16 decided it will perform the functions of the Parliament until a formal Parliament session is called under the 1990 multiparty democratic election law."

Its first parliamentary act was to call for the release of all political prisoners.

There was no immediate response by the government, but the junta has worried that any attempt to convene the Parliament would be illegal.

In recent days, the language of official statements has grown more threatening, describing opposition forces as "traitors" and "terrorists." Published commentaries have suggested that Daw Aung San Suu Kyi might be deported. Some analysts say the junta could be preparing to try to stamp out the opposition party once and for all.

"This is pretty serious stuff," a Western diplomat said in a telephone interview from Burma, which has been closed to reporters for weeks. "This is an existential moment. Time is ticking away here. So we are all extremely worried and nervous."

In a country whose military leaders

have demonstrated their readiness to shoot down their opponents, the heightened challenge by Daw Aung San Suu Kyi is a dangerous one.

The opposition challenge has won support from parts of the country's

by printing billions of new rubles.

In the United States, Deputy Treasury Secretary Lawrence Summers told Congress that Russia risked a new round of devastating hyperinflation if it resorted to such policies to solve its money woes.

"They must resist pressures to spend and lend which will doom the economy

EU offers Russia exports to help but no cash aid for now. Page 13

to another bout of high, perhaps hyperinflation," Mr. Summers said in remarks to the House of Representatives International Relations Committee.

On the political front, the new deputy prime minister, Alexander Shokhlin, repeated his statement of Tuesday that Boris Fyodorov, another key reformer who was a deputy prime minister and head of the state tax service, had quit.

Mr. Fyodorov, who developed a reputation for pugnacity as tax collector, had been quiet after Tuesday's announcement.

But on Thursday he dispatched an aide to effectively dare Mr. Primakov to fire him.

See RUSSIA, Page 13

AGENDA

Sosa Ties McGwire With 63d Home Run

Sammy Sosa was relaxed enough to hit his 63rd home run. It was simply a matter of when.

After singling and doubling in his first four at-bats Wednesday night, Sosa came to the plate with the bases loaded and two out. With the San Diego crowd of 49,891 on its feet, Sosa drove a 1-0 pitch from a Padres right-hander, Brian Boehringer, high

and deep into the second deck in left field, a 434-foot (132-meter) blast

that tied Mark McGwire for most home runs in a season and gave Chicago a 6-2 lead. The Cubs went on to beat the Padres, 6-3. Page 22.

Days after dissidents in several parts of China met with small but encouraging signals when they applied to form a political party, their counterparts in Beijing encountered a different fate: Two dissidents who were about to submit a similar application were detained and questioned by the police and told not to run in their request. Page 6.

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The IHT on-line www.ith.com

Independence Day Tradition / But What Did Hidalgo Say?

'Long Live Mexico!' (Or How to Fine-Tune the Annual Cry)

By Sam Dillon
New York Times Service

TEQUISQUAPAN, Mexico — Jose Antonio Mejia, who at 27 may be Mexico's youngest mayor and is still unaccustomed to public speaking, was feeling panic Tuesday night as the time drew near for him to preside over his first Independence Day celebration.

As two bemused army generals and other local dignitaries lined up to greet Mr. Mejia at the town hall, he fingered his tie nervously. As eager but tenuously trained teenage trumpeters intoned the national anthem, Mr. Mejia passed his palms across his suit jacket, wiping away sweat.

But despite his trepidation, when his moment came to stand before thousands of people in the plaza of this colonial town, Mr. Mejia met his obligations.

"Viva Mexico!" he shouted in an unquavering voice at 11 P.M. as festoons of burning phosphorus set the facade of Tequisquapan's church ablaze in light.

At the same hour, mayors in the 2,392 municipalities all across Mexico presided over their own ceremonies. In Mexico City, President Ernesto Zedillo shouted the same slogan from the balcony of the National Palace as 2 million revelers packed the Zocalo, the central plaza, and its environs. Millions of others watched the nationwide broadcast.

Even as Mexico endures a turbulent political transition, two small insurrections, an epidemic of violent crime and the global financial crisis, it remains a largely stable country, united by tight families and built on the bedrock of traditions. One of the most deeply felt is the September celebration of the beginning of the Independence War against Spain in 1810.

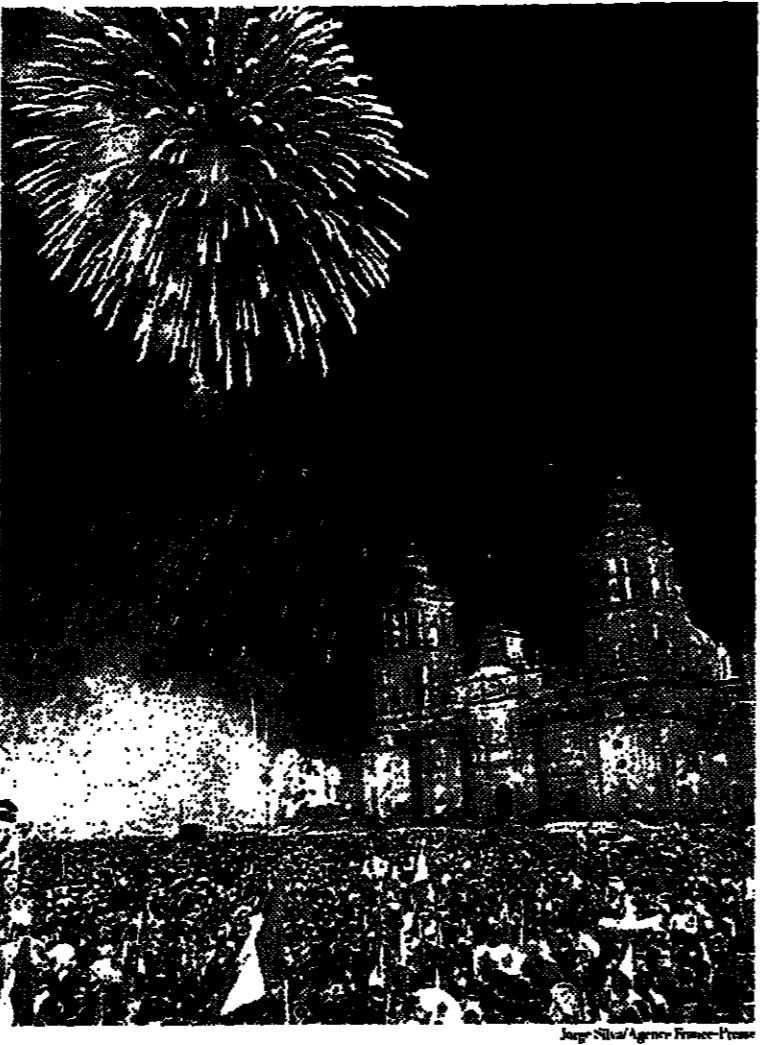
"This is one of those public ceremonies that provide an anchor for Mexicans after 20 years of crisis and rapid change," said Federico Estevez, a political scientist.

In a popular history of Mexico published last year, the writer Enrique Krauze described how Miguel Hidalgo y Costilla, a brilliant but somewhat eccentric parish priest in the central town of Dolores, launched the 1810 uprising: "On the morning of Sept. 16, he rang the cathedral bell to summon his Indian parishioners into the church square of Dolores and delivered his famous cry: 'Death to the Spaniards! Long live the Virgin of Guadalupe!'"

After the army of Hidalgo, largely made up of Indians, swept through central Mexico, razing haciendas and killing Spaniards, he was captured, shot and beheaded in Chihuahua in 1811, and Spanish loyalists put his head on display until Mexico won its independence in 1821.

Hidalgo's followers began re-enacting his cry, or *grito*, even before the Independence War ended. Over the course of the 19th century, it evolved into Mexico's most important patriotic ceremony, but according to Mr. Krauze, historians disagree about what, exactly, Hidalgo actually said.

That historical ambiguity has allowed for a flexible



In Mexico City's central plaza, tens of thousands watch the fireworks celebrating the country's Independence Day.

tradition. All presidents and mayors who preside over the September ceremony shout "Viva Mexico!" But beyond that, many add and subtract historical heroes and political concepts, fine-tuning the moment to fit their own political needs.

President Jose Lopez Portillo, in his last *grito* in 1982, two weeks after he

nationalized Mexico's banks, added the phrase "Long live the nationalization of the banks!" That was a short-lived innovation, since President Carlos Salinas reprivatized the banks after taking office in 1988.

Mr. Salinas, for his part, added the phrase "Long live Emiliano Zapata," thereby broadening the *grito*'s historical focus from the 19th-century independence struggle to the 20th-century revolution.

Mr. Zedillo, in his first *grito* in September 1995, added the phrase "Long live democracy!" On Tuesday night he said, "Mexicans, long live our independence, long live our sovereignty, long live democracy and long live the unity of all Mexicans. Viva Mexico!"

IN MEXICO CITY, the newspaper Reforma recently asked athletes, artists, politicians and other famous Mexicans what they would shout at this year's ceremony. Many offered high-minded slogans like the one proposed by Santiago Creel, an opposition congressman: "Long live understanding among all Mexicans!"

Other suggestions were more free-wheeling. Andres Bustamante, a comedian, said he would shout, "Follow citizens, will the person who has stolen the flag please return it so that the ceremony can continue?"

Carlos Monsivais, a prominent intellectual, suggested, "Long live what's left of Mexico!"

"Long live the blues," proposed Betsy Pecanins, a popular singer.

Most, however, urged that there be no changes at all.

"Traditions are important," said the author Jorge Castaneda. "Better not disturb them."

That was, of course, the approach favored by Mr. Mejia as he prepared to preside over the *grito* in this town of cobblestoned streets and 75,000 residents 150 kilometers (95 miles) north of the capital.

Hours before townspeople began to gather in the Tequisquapan plaza, Mr. Mejia was in his office, reviewing his script and speaking with a visitor.

He recalled that, as a youth, he would walk hand in hand with his father to the plaza an hour before midnight each year on Sept. 15.

This year, Mayor Mejia marched into the plaza behind a drum and bugle corps to the salutes of town policemen and with well-wishers calling out to him from balconies and rooftops. He climbed the stairs of the central bandstand without hesitation.

"Long live the heroes who gave us fatherland and liberty!" he shouted. "Viva Miguel Hidalgo! Viva Ignacio Allende! Viva Jose Maria Morelos! Viva Aldama! Viva Don Josefa Ortiz de Dominguez! Viva Mexico's independence! Viva Mexico! Viva Mexico! Viva Mexico!"

And as fireworks exploded in the Tequisquapan plaza and mariachi singers burst into song, Mr. Mejia smiled.

"That was great," he whispered. "What a surge of emotion!"

Albright May Meet Iran Aide

UN Chief Wants Both At Talks on Afghanistan

By Barton Gellman
Washington Post Service

WASHINGTON — American and United Nations officials say there are strong prospects for a Monday meeting that would bring Secretary of State Madeleine Albright face to face with the Iranian foreign minister, Kamal Kharazi. It would be the highest level of contact between the estranged governments since the hostage crisis of 1979.

The meeting in New York would come in a working group on Afghanistan including six other foreign ministers, and bilateral issues between Washington and Tehran are seen as likely to be broached.

Even so, according to U.S. and foreign diplomats, it would mark a significant new sign of the warming underway in the year since President Mohammad Khatami took office in Iran on a platform of reform.

The UN secretary-general, Kofi Annan, has been canvassing the eight governments of the "six plus two" group in an effort to convene the foreign ministers Monday afternoon.

The immediate objective is to halt a growing momentum for armed conflict between Iran and the fundamentalist Sunni Muslim movement, the Taliban, that controls most of Afghanistan. Officials said Mr. Annan also welcomed the prospect of contributing to an easing of tensions between Washington and Tehran.

Mr. Annan did not plan to issue formal invitations until he was confident they would be accepted, officials said.

But diplomats were optimistic after Iran responded positively to Mr. Annan's overture and Pakistan — whose support for the Taliban leaves it isolated in the group — also indicated that it would accept. Mrs. Albright, according to U.S. officials, will certainly agree to attend if the others do so.

"The signs are quite good," said a diplomat taking part in the arrangements. "We can't confirm it, but the probability is that there will be a meeting at the foreign ministerial level."

Concerning the situation in Afghanistan, where Iran and Pakistan are embroiled in a bitter rivalry, the United States and Iran are allies of sorts, sharing strong sympathy for the Taliban. In the UN Security Council and from the spokesman's podium at the State Department, the Clinton administration has condemned the deaths of nine Iranian diplomats at the Taliban's hands last month.

At the same time, Washington hopes to help defuse the risk of an Iranian invasion across the Afghan border, which Tehran has threatened with increasing bluntness this month. Iran staged a massive military exercise on the border last week and announced plans to dispatch 200,000 additional troops.

The "six plus two" group refers to Afghanistan's six immediate neighbors — Iran, Pakistan, China, Turkmenistan, Uzbekistan and Tajikistan — along with the UN and the United States. It has met several times since last year under the auspices of a UN troubleshooter, Lakhdar Brahimi, usually at the level of ambassador or assistant secretary of state.

U.S. officials, while clearly buoyed by the prospect of an Albright-Kharazi meeting, played down its significance in an apparent effort to avoid spooking Iran.

"We've called for direct dialogue between the United States and Iran," a U.S. official noted, while Iran has balked so far. This meeting, he added, would not be "dramatically new," because its subject is Afghanistan and the forum has been used before at lower levels.

Recruitment every Monday in The International

Congress

Democratic Rep. Carol Hillery, D-N.J., to stay from the White House because they damage their image, even though they are not.

There is a Democratic lawmaker who may be the most popular in Congress, but killing when.

When President Clinton's sexual harassment trial last month, Democratic Rep. John Conyers, D-Mich., said that he had learned a lesson for the future: focus on "real issues."

Chairman of House Panel Admits to '60s Adultery

By Howard Kurtz
Entertainment Columnist

WASHINGTON — A general committee of the House of Representatives, including the House Republicans, voted to censure Rep. John Conyers, D-Mich., for adultery.

Rep. Conyers, 64, who has been a member of Congress since 1965, was accused of having an affair with a woman he had known for five years.

Rep. Conyers' wife, Linda, has denied the affair. She has made the defense that her husband has been a good man and a good father.

Rep. Conyers' defense team has argued that the affair was consensual and that Linda Conyers has been a good wife.

The statute of limitations has passed on the adultery charge, but Rep. Conyers' defense team has argued that the statute of limitations has passed on the adultery charge.

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TRAVEL UPDATE

U.K. Tourism Takes Pounding

LONDON (AP) — Britain's strong currency deterred European visitors last year and cost the country more than \$250 million, the British Tourist Authority reported Thursday.

Despite the \$1.4 billion loss in receipts, the number of visitors overall edged up 1 percent to a record 25.5 million, because Americans kept coming — at the rate of 5 million.

David Quarmby, chairman of the tourism authority, called 1997 "a tough year for the industry," adding: "The continuing strong pound, coupled with the financial crisis in Asia, means 1998 is unlikely to be any easier."

Greece Keeps Them Coming

ATHENS (AP) — Despite waves of strikes and anti-foreigner attacks, it has been a good year for Greek tourism.

That was the message Thursday from the tourism minister, Vasso Papandreou, who announced a 10 percent increase in charter flights to Greece during the first eight months of the year. Another 2 percent rise is expected by the end of the year.

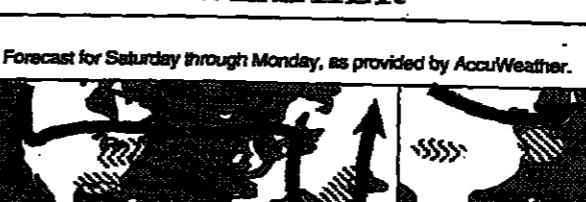
Doctors in the Athens area announced a five-day extension of a strike that has halted all but critical care at public hospitals. The national doctors union is scheduled to meet Monday to determine whether hospitals from the rest of the country will join the strike, which began last week. (AP)

With a boom in subway and bus ridership in New York City still going strong, transit officials said they would spend \$44 million to expand service over the course of the year. The plan will add 2,400 bus trips and about 200 subway trips a day to a system.

The luxury liner *Ecstasy*, heavily damaged in a July fire that injured 60 passengers, has returned to its home port of Miami, repaired and ready to resume cruising the Caribbean. The ship carries more than 2,500 guests. (Reuters)

WEATHER

Forecast for Saturday through Monday, as provided by AccuWeather.



Europe

Today High Low W High Low W

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Spain 2

Albright
May Meet
Iran Aide
U.N. Human Rights
to Tell on Clinton

Congressional Democrats Disregard Polls as They Abandon President

By Richard L. Berke
New York Times Service

WASHINGTON — Mark Mellman, a leading Democratic pollster, has made the rounds on Capitol Hill in recent days, urging his clients not to stray from talking about issues and assuring them that the White House scandal will not damage their own prospects in November. But they won't listen.

"There is disbelief," Mr. Mellman said of Democratic lawmakers.

"They say, 'Are you crazy?' or, 'Certainly that may be true today, but I don't think that's where it's going.' There is, 'All I hear on television and read in the newspaper is how this is killing us!'

When President Bill Clinton first admitted to his sexual relationship with Monica Lewinsky last month — and that he had lied about it — most Democrats hewed to a unified message. They said that the president's conduct was deplorable but that he had admitted his mistakes and now it was time for the nation to put the matter to rest and focus on "real" issues like health or education.

Chairman Of House Panel Admits to '60s Adultery

By Howard Kurtz
Washington Post Service

WASHINGTON — A bitter new sexual controversy has erupted on Capitol Hill as Representative Henry Hyde, the Illinois Republican who is chairman of the Judiciary Committee, acknowledged to a left-leaning magazine that he had a five-year affair with a married woman in the 1960s.

He made the admission after the online magazine Salon, which has relentlessly attacked the independent counsel Kenneth Starr, told his office that it was publishing details of his affair with a former beauty stylist, Cherie Snodgrass.

Mr. Hyde, 74, who would head any inquiry into impeaching President Bill Clinton, is the third Republican lawmaker in two weeks to acknowledge an affair after being confronted by a journalist.

"The statute of limitations has long since passed on my youthful indiscretions," Mr. Hyde said in a statement. "Suffice it to say Cherie Snodgrass and I were good friends a long, long time ago. After Mr. Snodgrass confronted my wife, the friendship ended and my marriage remained intact."

"The only purpose for this being dredged up now is an obvious attempt to intimidate me, and it won't work. I intend to fulfill my constitutional duty and deal judiciously with the serious felony allegations presented to Congress in the Starr report."

Both the White House and Salon flatly denied that any administration staffer was involved, and Mr. Clinton's deputy chief of staff, John Podesta, called Mr. Hyde with the same message.

A Florida retiree confirmed Wednesday night that he had passed the allegation to Salon without the administration's involvement. But in an environment already made tense over the Monica Lewinsky investigation and Republican jitters about White House counterattacks, the 30-year-old affair quickly became a political flash point.

David Talbot, the editor of Salon who was also the author of the Hyde piece, said he had published it because "the Starr report and enemies of President Clinton have rewritten the rules. Once Starr submitted a report filled with nothing but sexual relationships, then his supporters — people sitting in judgment of the president — are fair game. Hyde has been built up so much in the press as this august figure, a great statesman."

POLITICAL NOTES

Report by Race Panel Expected to Be Bland

WASHINGTON — In the beginning, there was no staff, no concrete plan and no tangible goal, only President Bill Clinton's expectation that his Initiative on Race would help bridge the U.S. racial divide and carve him a special place in history.

But as the president's seven-member race panel prepares for its crowning event Friday, the publication of its report, its soaring hopes that once accompanied its work have been mostly abandoned.

The report promises no significant new policy thrusts. The set of proposals expected to be forwarded to the president either restates recommendations or endorses initiatives already embraced by the Clinton administration. And now, 15 months and 300 meetings after it began, many of those who have followed the commission's work say that if the president is to leave a lasting legacy on race, it will not be reflected in the work of this initiative.

The story of how the race initiative has come to engender fast-shrinking expectations is in many ways testament to the problems posed by the issue of race. But according to commission members and others who have followed its work, the group's



Representative Henry Hyde being questioned by reporters on Capitol Hill.

But now, anticipating that the scandal will become a real threat to Democrats, many lawmakers have been going out of their way to speak out harshly against Mr. Clinton, even against the mass of advice from party strategists, who insist there is no public clamor for the president to be impeached or forced from office.

Rather than sticking to their original statements, many Democrats have revised and amplified their own remarks, scolding Mr. Clinton not just for his behavior and his handling of the affair, but for how the whole matter could threaten

NEWS

ANALYSIS

Democrats in November. Few Democrats have publicly ruled out the possibility of impeachment — and almost no prominent lawmaker in the party has publicly offered an unsparing defense of the president.

Representative James Moran, Democrat of Virginia, raised the prospect Wednesday that Mr. Clinton could be impeached on perjury charges. "I think the president would help himself a great deal if he would get off this business of saying one thing in public and having his lawyers do another thing in court," he said.

adding, "He's got to stop this deliberate deception in terms of whether or not he had sexual relations. It's eroding his own credibility."

Mr. Moran did not stop there.

"There is clearly some hemorrhaging going on within the Democratic Party, within the Congress as a whole and particularly within the country," he said. "And that hemorrhaging — he's got to stanch that flow. I'm just not creative enough to think of a way other than resignation that would do that. But maybe he can."

So much for the maxim that politicians live by the polls — or the advice of their handlers. Instead of behaving like weather vanes, some lawmakers seem more like weather forecasters these days.

There are a number of explanations for why Democrats are disinclined to follow a partisan script. For one thing, they want to inoculate themselves. If they criticize Mr. Clinton now, they will not appear out of step if and when public opinion turns against him. In addition, many Democratic lawmakers have told advisers that they feel personally betrayed by his assurances that he did not have an affair, and there has never been a reservoir of loyalty for Mr.

Clinton on Capitol Hill, where many Democrats think he has long put his interests before theirs.

Another explanation is that many politicians are as likely to listen to — and trust — their friends, colleagues and constituents back home as they are the cold, gray statistics.

Some Democrats in tight races this November are blaming Mr. Clinton for their troubles when the reality is that they would have been in tight races even if no one had heard of Monica Lewinsky. But those politicians are stoking fears among their colleagues that the scandal is causing massive electoral reverberations.

Particularly striking is the roster of lawmakers in Mr. Clinton's own party — notably senators — who have not hesitated to publicly lambaste him. They include Senators Dianne Feinstein and Barbara Boxer of California; Daniel Patrick Moynihan of New York; Joseph Lieberman of Connecticut; Bob Kerrey of Nebraska; Joseph Biden of Delaware; Bob Graham of Florida; Ernest Hollings of South Carolina and John Breaux of Louisiana.

Many Republicans are also neglecting advice from strategists that they keep their focus on the

issues and let Democrats self-destruct on their own. Instead, many lawmakers are encouraging talk about impeachment. But there is also a sense among Republicans that the political dynamics are so unsettled that there could be a backlash over the release by members of the House Judiciary Committee of a videotape of Mr. Clinton's grand jury testimony.

It could be, too, that politicians are not just driven by polls or by political calculations. Perhaps some should be given credit for speaking out harshly against the president for reasons of personal conscience.

For now, the Democratic Party is struggling to calm its rattled candidates. The Democratic Congressional Campaign Committee released a survey Wednesday that it had commissioned to show that despite the scandal, Democrats are maintaining leads in 10 of the most competitive House races.

"What these numbers tell us is that there's no need to panic," said Dan Sallick, a spokesman for the committee.

But, as Mr. Mellman learned, many Democrats on Capitol Hill seem past the point of panic.

Jones Lawsuit Again Threatens Clinton

Her Lawyers Plan to Cite Starr Report in Appeal Against Case's Dismissal

By Neil A. Lewis
New York Times Service

WASHINGTON — The Paula Jones lawsuit that is at the heart of the charges leveled against President Bill Clinton by the independent counsel Kenneth Starr is re-emerging to pose new political and legal threats to the president, according to lawyers in and outside the White House.

A judge in Little Rock, Arkansas, dismissed the sexual-misconduct suit in April. But a federal appeals court in St. Paul, Minnesota, that is set to hear arguments next month on whether to reinstate the lawsuit will now be asked to consider Mr. Starr's charge that Mr. Clinton lied when he testified that he had not had sexual relations with Monica Lewinsky.

Mrs. Jones's lawyers said Wednesday they are preparing a brief that will argue that Mr. Starr's report to Congress on possible impeachable offenses said to have been committed by the president provides strong grounds to overturn the dismissal of the lawsuit.

John Whitehead, president of the Rutherford Institute in Charlottesville, Virginia, and one of Mrs. Jones's lawyers, said her legal team was poring over the Starr report and using parts of it to prepare its final brief, due next week. In particular, Mrs. Jones's lawyers expect to use the accusation in the Starr report that Mr. Clinton lied when he testified under oath in the Jones lawsuit in January.

Some White House officials have discussed whether Mr. Clinton should seek to settle the suit before the appeals court rules, but a senior presidential adviser said Wednesday that such an option was remote.

In dismissing the lawsuit in April, Judge Susan Webber Wright ruled that Mrs. Jones's contention that Mr. Clinton deprived her of her constitutional rights when, by her account, he had her summoned to a hotel room in Arkansas in 1991, when he was the governor of Arkansas, and made a crude sexual advance.

Since giving his deposition in the Jones lawsuit Jan. 17, Mr. Clinton has acknowledged having engaged in inappropriate physical acts with Ms. Lewinsky and having sought to conceal their relationship.

But to the consternation of many of Mr. Clinton's supporters, the president has maintained the position that he testified truthfully in January and that his denial that they had had sexual relations was "legally accurate" although misleading.

The argument is based on the premise that his answer was based on an explicit definition of "sexual relations" that Judge Wright approved that day.

Mr. Clinton testified that under his interpretation, oral sex performed on him by Ms. Lewinsky did not amount to sexual relations.

Nonetheless, Mr. Whitehead, an authority

Lewinsky Tries To Sell Her Story

Washington Post Service

WASHINGTON — Five publishers said they had been approached by a representative for Monica Lewinsky about a possible deal for a memoir.

A publisher said Wednesday that he had rejected the book: "I'm as big a whores as anyone, but I'd rather die first," the executive said.

Judith Regan of Regan Books said the former White House intern's story was no longer as valuable because "so many details have come out."

Ms. Lewinsky's representative would not comment.

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EUROPE

Albanians Seeking to Strip Berisha of Arrest Immunity

Compiled by Our Staff From Dispatches

TIRANA, Albania — A legislative commission recommended Thursday that Sali Berisha, the main opposition leader in Albania, be stripped of his immunity against arrest.

This was seen as the first procedural step toward detaining the former president on charges of foaming riots after the slaying of an ally.

The chairman of the commission, Spartak Brako, said the measure would have to be voted upon by the full Assembly on Friday.

The decision was made as Mr. Berisha continued urging his followers to organize more protests to demand the resignation of his arch-rival, Prime Minister Fatos Nano.

About 2,000 or more Democratic Party supporters gathered again Thursday to condemn the government, and Mr. Berisha assailed Mr. Nano as "the champion of corruption in Europe."

Others were prevented from joining the protest by police roadblocks at key intersections, purportedly set up to check for weapons.

The marchers, who appeared to be unarmed, walked along a road close to the Interior Ministry, passing special police units without incident.

Western powers fear that the violent confrontation between Mr. Berisha and Mr. Nano that erupted in the last week could worsen if Mr. Berisha is arrested on charges of seeking to overthrow the government.

During an afternoon meeting attended by international officials, the legislative commission

decided against removing the immunity of five of Mr. Berisha's allies pending further evidence.

Mr. Berisha and his five fellow deputies refused to attend the meeting, saying that they already considered the outcome a foregone conclusion.

Mr. Nano's Socialists dominate both the commission and the Assembly, and it was expected that the full chamber would go along with the recommendations.

A government source said there was pressure from international officials to come up with a lesser charge against Mr. Berisha in order to avoid further instability.

Mr. Berisha has dismissed the Nano government's plan to prosecute the alleged plotters of a coup that plunged the capital into chaos on Sunday and Monday.

Seven people were killed and 76 were wounded.

"This is an act of madness and real national betrayal which shows the determination of Fatos Nano to destroy the opposition and the whole of Albania," Mr. Berisha said of the plan.

Under Albanian law, the charge of armed uprising carries a sentence of life imprisonment or the death penalty.

A decision to arrest Mr. Berisha would have to come from the state prosecutor's office rather than from Parliament, Mr. Brako said.

Meanwhile, new unrest was reported in northern Albania, where Mr. Berisha has strong support. The police said a gang of about 80 men, armed with



An Albanian soldier, masked against retaliation, guards a checkpoint Thursday on the outskirts of Tirana as thousands called on Prime Minister Fatos Nano to quit. Grenades and assault rifles, attacked a bank and police station in Lezha, north of Tirana. Three of the attackers died in battles with the police and several were wounded, according to an Interior Ministry spokesman. An explosion in Lezha two weeks ago damaged the local office of Mr. Nano's Socialist Party. (AP, AFP, Reuters)

BRIEFLY

Kohl Promises East Better Times

DRESDEN — Chancellor Helmut Kohl on Thursday assured East Germans, who may be key in deciding the outcome of the general election Sept. 27, that things were really going to get better.

Mr. Kohl's Christian Democrats and the Social Democrats who hope to unseat them have redoubled their efforts to attract voters in the unemployment-blighted and depressed East that is seen as the crucial final battleground of the campaign.

Addressing a congress of bankers who refrained from the heckling and boozing he has endured at public rallies, Mr. Kohl said the "flourishing landscapes" he promised years ago were taking shape. "Of course, it is hard but we are on course and we have every chance, and must use them," he told the audience in Dresden's Palace of Culture.

Mr. Kohl's Christian Democrats have narrowed the Social Democrats' lead in opinion polls to 3 percentage points, but in the East, where voters shift party allegiance more readily, he trails by about 10 percent. (Reuters)

Errors Cited in '97 Near-Collision

LONDON — Investigators blamed Thursday errors by a pilot and air traffic controllers for what was nearly a midair collision between a Japan Airlines Boeing 747 and a business jet near London last year.

The jumbo jet, bound for Heathrow Airport with 288 people aboard, flew less than a mile from a Gulf Stream IV, with five aboard, in a thick cloud above Lambourne, 50 miles (80 kilometers) west of London, the Civil Aviation Authority said. The incident, which took place on July 3, 1997, was attributed to failure of the Japan Airlines pilot to descend to the level instructed by air traffic controllers, and controllers not handling flight paths properly, according to the authority's report. The pilots of both planes took action to avoid a collision only after onboard warning systems were triggered, the report said. (AP)

Rainfall Worsens Belgium Floods

BRUSSELS — Low-lying areas across Belgium struggled through a fourth day of rain, floods and evacuations Thursday.

The Belgian meteorological service declared days of record rainfall a "disaster," clearing the way for the government to provide special relief for those with water knee-high in their homes and no insurance to pay for the damage.

Soldiers helped reinforce dikes or breach others to divert water away from residential areas as rain fell again in many parts of the country. (AP)

French Cohabitation Bill Assailed

PARIS — The Roman Catholic Church condemned Thursday the French government's decision to introduce a law that will grant unmarried people living together the same social and tax rights as those enjoyed by a married couple.

In a statement, the French Bishops' Council warned that the so-called "civil solidarity pact" could undermine the fabric of society and said homosexuals must not be given the same legal privileges as a man and his wife.

Justice Minister Elisabeth Guigou said that the bill would bring the law into line with modern life in France, a Roman Catholic country where more than 2 million couples, both gay and heterosexual, live together unmarried. (Reuters)

English Activists Free 8,000 Mink

ONNELEY, England — Animal rights activists freed nearly 8,000 mink from cages at a breeding farm Thursday, marking the second such action in Britain in as many months.

The police issued an alert after the animals, bred for their pelts, were freed from a farm in Onneley, Staffordshire. Most of the mink stayed in the farm compound, but the police said 2,000 had escaped into the countryside. (AP)

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Bosnia Vote Results Held Up

Monitors Are Manipulating, Extremists Charge

Compiled by Our Staff From Dispatches

SARAJEVO, Bosnia-Herzegovina —

International officials refused Thursday to make public any results from the Bosnian national elections, ignoring allegations from extremist parties that they were trying to manipulate the outcome of the voting last weekend.

"We are not going to make judgments based on 60 percent or 40 percent of counted ballots," said Nicole Szulc, spokeswoman for the Organization for Security and Cooperation in Europe, which ran the election. "The only results that will matter are the final results," she said, which are expected in a few days.

Robert Barry, head of the organization in Bosnia, said results would probably be announced Wednesday or Thursday — at least 10 days after the voting.

Mr. Barry dismissed the conclusions of an official report alleging that the polls were marred by serious administrative problems, saying that "computer breakdowns" were to blame for the problems that were highlighted in a report co-authored by his organization, the European Parliament and the Council of Europe.

He said the technical glitches affected only 2 percent to 3 percent of the Bosnian electorate in the polls, the country's second since the 1992-95 war.

Extremist parties have claimed victory, based on reports from party monitors who watched the counting at precinct level after

two days of voting, which ended Sunday. If the claims are true, the outcome would be a severe blow to international efforts to build a stable, multiethnic state.

It could also raise doubts about the effectiveness of the international effort that has sought to rebuild the country since the 1995 Dayton peace accords.

The most closely watched contest, involving the re-election bid of the Bosnian Serb president, Biljana Plavsic — a moderate backed by the West — has generated conflicting claims about whether she won or lost.

Hundreds of flag-waving Radical Party supporters took to the streets of Pale and other towns in the ethnic Serbian half of Bosnia on Wednesday night to celebrate what they said was Mrs. Plavsic's defeat by an extremist, Nikola Poplasen.

A Western diplomat in Sarajevo said both sides were creating circumstances to declare the elections void in case of defeat.

Ms. Szulc dismissed reports spread by various parties in Bosnia of their victory.

She said that the ballot counting was complicated and that there were some 200,000 ballots in envelopes that have not yet been opened.

"Releasing preliminary figures would only add to the dispute about who really won," Mr. Barry said at a news conference in Banja Luka. (AP, AFP)



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ASIA/PACIFIC

Dissidents in Beijing Rebuffed on New Party

Slight Encouragement in Provinces No Guide

By Elisabeth Rosenthal
New York Times Service

BEIJING — Just days after dissidents in several parts of China met with small but encouraging signals when they applied to form a political party, their counterparts in Beijing encountered a different fate this week: Two dissidents who were about to submit a similar application to the Beijing government were detained and questioned by the local police and told not to turn in their request.

Ren Wanding, a veteran activist who has spent more than a decade in prison, was taken from his house Thursday afternoon for questioning and returned home late in the evening. Ma Shouhua, a student leader of the 1989 protest in Tiananmen Square, was detained for four hours Wednesday night.

"Several of us had decided to go tomorrow to apply to form a party," Mr. Ren said in a phone interview after his release. "They told me I couldn't go."

In the last week and a half, three groups of dissidents have applied to a local branch of what they call the China Democratic Party.

Dissidents from various parts of the country have written the party's bylaws, which stress such principles as the election of officials and a regard for human rights. The bylaws also stress cooperation with President Jiang Zemin and the ruling Communist Party.

There has not been a new party since the founding of modern China in 1949 and, since there is no clear mechanism for such an act, the dissidents are trying to register their new party as a social organization.

Two of these groups, one in Shandong and one in Hubei, last week got what they regarded as slightly encouraging responses from local officials, who implied that such an application might be considered as long as a few conditions were met. These were a moderate registration fee, a specified headquarters and a list of the local party's leaders and members.

Three months ago, in Zhejiang Province, a similar request resulted in weeks of imprisonment for the applicants.

Dissidents and scholars wondered whether this change represented a

change in government policy, dissent in the government about how to handle such requests or an effort to put on a good face for Mary Robinson, the United Nations human rights commissioner, who visited here last week.

The detentions Thursday suggest that there has been no relaxation of central policy.

Yao Zhenxian, a Shanghai dissident who was considering applying to form a party in that city, was also detained, according to the Information Center for Human Rights and Democracy in China, a Hong Kong group. A group of dissidents from the three northeastern provinces has mailed a similar application to the Civil Affairs Ministry in Beijing.

Mr. Ren suggested that perhaps the application had been received more kindly in the provinces because security in Beijing tends to be particularly tight. "Perhaps the difference is that this is the capital," he said.

■ UN Food Aid After Floods

The UN World Food Program said in Rome on Thursday that it planned its first emergency relief operation in China to help feed more than 5 million flood victims. Reuters reported.

The worst flooding since 1954 has killed more than 3,000 Chinese, left millions homeless and caused damages estimated at \$20 billion, according to official figures.

"The scale and severity of the floods in China have far exceeded the government's normal response mechanisms," said the program's deputy executive director, Namanya Ngongi.

The four-month relief operation will cost more than \$87 million, the organization said.

The plan, which must be approved by directors of both the World Food Program and the UN Food and Agriculture Organization, is expected to provide 247,214 tons of rice.

The organization said it would provide free food to flood victims for the first month of the operation.

"When the floodwaters dry up about mid-October," the organization added, "it will pay half the victims in food to construct shelters, restore drinking water facilities, clear land and rebuild roads, among other projects."

In its announcement, Malaysia said the ban included military jets from Paya Lebar Air Base heating across southern



A Beijing painter sprucing up the Tiananmen Gate, next to Mao's portrait, for celebrations of the revolution.

Natalie Behring/Reuters

Malaysia Restricts Singapore Flights

The Associated Press

KUALA LUMPUR — Malaysia said Thursday that Singaporean military and rescue planes were banned from its air space starting Friday, in a move that intensifies the diplomatic wrangle that has engaged the neighboring Southeast Asian countries for weeks.

The Defense Ministry said that case-by-case permission was needed for Singapore's military flights that previously had blanket approval.

"It is not an easy decision," the defense minister, Hamid Albar, said. "It was taken in the best interest of Malaysia."

Mr. Hamid denied that the move was retaliation for the memoirs published this week by Singapore's most powerful man, the senior minister, Lee Kuan Yew, which has outraged Malaysian politicians. In the book, Mr. Lee accused Malaysian leaders of the 1960s of corruption and of inciting race riots.

He said Singapore's military aircraft could file a flight plan and receive permission from Malaysia within a few hours, as is standard with other countries.

Malaysia's Defense Minister, Prime Minister Mahathir bin Mohamad, was quoted by the Bernama press agency as saying the decision was "permanent, not temporary."

He added that this was a way for Malaysia to "take back our territory bit by bit." The two countries were merged for 23 months from 1963-65.

Mr. Mahathir also acknowledged that Mr. Lee's book had hurt Malaysian-

Malaysia for training flights over the South China Sea, jets passing into Malaysian air space as they take off from Tengah Air Base, and search-and-rescue planes flying above Malaysian territory.

The previous arrangement, with one country's military aircraft flying at low altitude over another without warning, was highly unusual.

The change was "just a case of a nation asserting its sovereignty," said Prasun Sengupta of the Malaysia-based Asian Defense Journal.

He said Singapore's military aircraft could file a flight plan and receive permission from Malaysia within a few hours, as is standard with other countries.

Malaysia withdrew from recent military exercises with Singapore, the United States, Britain and Australia.

Singapore's Defense Ministry said its air force "has alternative arrangements to ensure that its operational effectiveness is not compromised and that its training will not be affected."

Singapore is a defense-conscious state that has to train its pilots in Australia and the United States because it is so small.

"I think this will be seen rather more seriously in Singapore than in Malaysia," Bruce Gale of the Political and Economic Risk Consultancy, a regional newsletter, said of the flight ban.

BRIEFLY

Prison for Suharto Is Called Possible

JAKARTA — Indonesia's justice minister on Thursday said former President Suharto, whose family and associates built up fortunes during his 32-year rule, could face jail if found guilty of abuse of power.

It was the first time that the government has said Mr. Suharto, who was forced to step down in May amid growing violent protests, could go to prison.

"Our side is confident that there is the possibility of Suharto's being jailed if proof of criminal acts and abuse of power is found," Justice Minister Muladi told reporters.

He announced that the government was setting up a second team to look into Mr. Suharto's assets, focusing on those allegedly stashed overseas. The first team, examining Mr. Suharto's domestic wealth, was announced Wednesday.

(Reuters)

Seoul Opposition Threatens to Quit

SEOUL — Legislators of the largest opposition party in South Korea threatened Thursday to resign en masse to protest what they said was political suppression by President Kim Dae Jung.

The lawmakers' anger stems from efforts by prosecutors to arrest or question eight opposition members on charges of taking bribes from businessmen in the presidential campaign last year. The prosecutors have denied that the investigation is politically motivated.

The Grand National Party accused Mr. Kim of using an anti-corruption campaign to break up the party, which has 138 legislators.

(AP)

For the Record

Pakistani police arrested at least 200 people Thursday in a crackdown on rival Islamic groups engaged in an ongoing feud that has left scores of people dead throughout the country.

(AP)

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GENERAL

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a day, by the ninth day, your prayer will
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INTERNATIONAL

Kabila's New Offensive Likely to Prolong Chaos in Congo

By James Rupert
Washington Post Service

KINSHASA, Congo — Two weeks after Laurent Kabila, president of the Democratic Republic of Congo, and his foreign allies turned back an offensive on Kinshasa by ethnic Tutsi rebels and their foreign allies, he is pressing a new military offensive in the east and dismissing any idea of negotiating with his foes.

At the same time, feeling strengthened by his military success and popular support for his fight against a rebellion backed by Rwanda and Uganda, Mr. Kabila appears to be ignoring calls from Congoleses for a broadening of his 16-month-old government. Notably, his government is preparing to tighten its control over this

year's main political event in Congo: the elaboration of a new constitution.

With these initiatives, military and political, Mr. Kabila risks overreaching himself and is likely to prolong, rather than resolve, the turmoil and violence embroiling this country. Congolese scholars and foreign diplomats say.

Mr. Kabila is urging Angola and Zimbabwe — two of the handful of African nations that came to his aid in the weeks after the rebellion broke out Aug. 2 — to help him mount an offensive in eastern Congo to drive out the rebels and their Ugandan and Rwandan backers. He reportedly is recruiting and rearming thousands of ethnic Hutu Rwandans who have been living in eastern Congo since 1994.

Last year, Mr. Kabila relied largely on

troops sent by Rwanda, Uganda and Angola to topple Mobutu Sese Seko and seize power. Those nations retained influence and provided support in Congo until this summer, when the breakup of that coalition effectively divided Congo into spheres of foreign military influence. That, plus Mr. Kabila's inability to form a solid domestic political base, risks furthering what has been a slow dissolution of Central Africa's largest state, several analysts said.

On July 28, Mr. Kabila ordered Rwandan troops still stationed here to go home. Within days, Rwanda and Congolese Tutsis, joined by Uganda, launched a war to oust him. They flew troops across Congo to the Atlantic coast and marched to the edge of Kinshasa

with startling speed. But when Mr. Kabila got Angola and Zimbabwe to back him with troops and planes, with Namibia and Zambia also providing support, the reversal was just as fast.

In the two weeks since Mr. Kabila and his allies dispersed the offensive on Kinshasa, fighting has been scattered and inconclusive. But diplomats said Mr. Kabila's military is working to organize Rwandan Huts.

Those Huts and tens of thousands of civilian refugees fled Rwanda during the fighting in the 1990s and are scattered in Congo, the Congo Republic, the Central African Republic and Angola. Mr. Kabila "is getting them weapons to let them carry the war back into Rwanda," where the Tutsi-dominated government is fight-

ing Huts militants, said a European diplomat. He said the result "would be a humanitarian and political catastrophe."

■ Zambia's Diplomatic Shuttle

President Frederick Chiluba of Zambia is planning a diplomatic shuttle to the capitals of Rwanda and Uganda as part of regional efforts to try to end a war in the Democratic Republic of the Congo. Reuters reported from Johannesburg.

Diplomats and government officials said Thursday that Mr. Chiluba's mission for talks with President Pasteur Bizimungu of Rwanda and President Yoweri Museveni of Uganda was part of moves by the Southern African Development Community to secure a ceasefire in the strife-torn Congo.

Out in Space, Mystery Force Is Baffling to Top Scientists

By Malcolm W. Browne
New York Times Service

NEW YORK — For 19 years, space scientists, astronomers and physicists have been scratching their heads in search of an explanation for a mysterious force that seems to be pulling spacecraft in the direction of the sun.

A team of investigators has now announced that, after examining and ruling out most of the possibilities they could think of, the mystery remains unsolved.

This means, they said in a report accepted for publication in the journal *Physical Review Letters*, that there is a slight possibility some hitherto unknown phenomenon might be at work — "new physics," as physicists call such mysteries.

A much more likely possibility, they acknowledged, is that some error in calculation or observation is responsible for the anomaly.

But hope for something more significant springs eternal. On the rare occasions when experiments or observations have revealed genuinely new physics, discoverers have achieved renown and even won Nobel prizes.

Heading the group of six scientists who studied the anomalous attraction mystery was John Anderson, an astronomer at the Jet Propulsion Laboratory in Pasadena, California.

In an interview, Mr. Anderson said that he had noticed the peculiar effect in 1980 while analyzing trajectories of two outward-bound and very distant spacecraft, Pioneer 10 and Pioneer 11.

These trailblazing solar system explorers, launched in 1972 and 1973, are now at the very edge of the solar system — about 68 times farther from the sun than the 93 million miles (150 million kilometers) separating Earth and the sun.

Besides the two Pioneer spacecraft, two later probes — Galileo, launched toward Jupiter in 1989, and Ulysses, launched into polar orbit around the sun in 1990 — have furnished radio data for the investigation. The trajectories of all four spacecraft have revealed evidence of a weak force that slightly perturbs their directions and velocities.

The force was discovered by adding up the effects of all other known forces acting on the spacecraft and finding that something unexplained was left over.

Mr. Anderson's investigation, later joined by Michael Martin Nieto, a theorist at Los Alamos National Laboratory in New Mexico, and scientists of Aerospace Corp. in El Segundo, California, and Astrodynamics Sciences Co. in Los Angeles, relied primarily on radio signals transmitted between the spacecraft and ground stations around the world.

Their calculations, made using two independent methods and two different types of radio data, took the following into consideration:

Possible errors in software and hardware used in computer analyses; the gravity exerted by the sun, its planets and the Milky Way galaxy; possible gas leaks from the crafts' maneuvering rockets, errors in planetary motion tables and accepted values of Earth's orientation and motion and possible forces created by radiation from onboard power reactors.

Other factors considered: a possible drift in atomic-timing clocks used to determine a craft's distance from Earth and the possible gravitational influence of hypothetical dark matter and the theoretical particles thought to constitute a significant fraction of the universe's mass.

In contrast with the force of gravity, the strength of the mystery force does not decline proportionally to the inverse square of a spacecraft's distance from the Sun but at a constant — linear — rate. This argues against the force being a gravitational effect of the sun.

Mr. Anderson said a mission to the planet Pluto in the 21st century might shed light on the mystery.

CLINTON: Hyde Disclosure Roils House

Continued from Page 1

tape would soon be filling American television screens with images said to show a sometimes angry, confrontational and evasive president.

The White House, meanwhile, continued its campaign to shift the nation's attention back to its domestic agenda. Mr. Clinton said he would veto Rep. Republican-backed legislation for an \$80 billion tax cut unless steps were first taken to shore up the Social Security program.

"It's an election year and it's popular," the president said of the proposed tax cut. "But it isn't right."

He said he would veto any bill "that squanders the surplus on tax cuts before we save Social Security."

While support even from members of his own party has grown uncertain, Mr. Clinton maintains a powerful tool to influence the legislative process: his presidential veto.

The White House flatly denied any role in spreading the adultery revelation about Mr. Hyde to *Salon* magazine (www.salonmagazine.com). But that story, and the impending release of the videotape, left the country bracing for increasingly harsh and bare-knuckled partisan rhetoric. It came quickly.

A California Republican, John Doolittle, complained of "vicious partisan attacks via the news media by individuals who are clearly attempting to intimidate members of Congress."

Analysts said it seemed unlikely a White House operative would have sought to anger Mr. Hyde, a widely respected legislator, at the very moment he was preparing for the possible opening of impeachment hearings against Mr. Clinton. The Starr report outlined 11 possible grounds for impeachment, including perjury, obstruction of justice, witness tampering and abuse of power.

Mr. Clinton left Washington on Thursday for a fund-raising event in Ohio, but the shadows of political contention accompanied him. The Cincinnati Enquirer repeated a call for Mr. Clinton's resignation, one of nearly 80 newspapers urging him to step down. And a Democratic candidate for the House of Representatives whose district includes the local airport pointedly refused to meet Mr. Clinton there.

That was one of many small signs of Democratic anger with Mr. Clinton's

actions and explanations in the Lewinsky scandal. A long-time Democratic ally, Senator Diane Feinstein of California, told CNN that she had "respectfully declined" an invitation from Mr. Clinton to discuss the matter with him at the White House.

And with anger resonating through Capitol Hill, a new call for Mr. Clinton's resignation came from a moderate Republican, Representative Marge Roukema of New Jersey.

The president has attempted, nonetheless, to pursue what sides have called a "business as usual" strategy."

Mr. Clinton began his day in Washington speaking to a predictably friendly group, members of an electrical union, and received an enthusiastic welcome.

With statements on policy and a broad call Monday for global economic cooperation to fight the spreading financial crisis, he has sought to calm fears about his authority to lead even as prospects for impeachment hearings appear to be growing. On Wednesday, he had called on *America's* rise above destructive debate.

"I think that the right thing for our country and the right thing for all people concerned is not to get mired in all the details here," he said, in his first encounter with the press since the House of Representatives made the Starr report public. The voters, he said, "want me to go on and do my job, and that's what I intend to do."

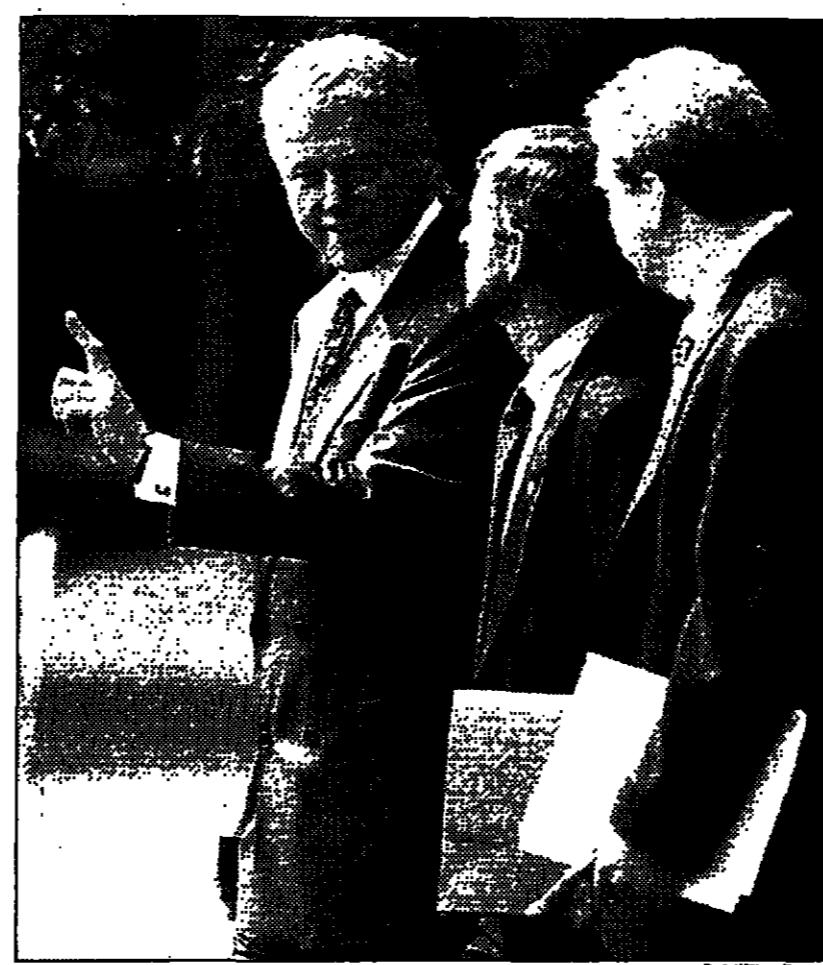
But Congress has found itself increasingly seized by the Lewinsky matter.

On the floor of the House, anger over the story about Mr. Hyde brought an extraordinary promise Thursday. Leaders of both parties in the House vowed that their parties would not fund campaign advertisements for any candidate that included personal attacks.

Representative Martin Frost of Texas, chairman of the Democratic congressional campaign committee, said he was appalled by the story about Mr. Hyde, whom he called an honorable man. Mr. Frost said that any member of his committee involved in personal attacks on an opponent would be fired.

His Republican counterpart, John Linder of Georgia, said he suspected the "hidden hand" of the White House in the Hyde story, but promised to warn all Republican candidates against personal smears on their opponents.

Personal attacks "unrelated to public



President Clinton making a point to his friend Bruce Lindsey, center, and a spokesman, Joe Lockhart, as he walked to his helicopter Thursday at the White House, beginning a trip to Cincinnati and Boston.

office" are "simply off-limits," Mr. Linder said. "We are soon going to have no one of any stature willing to put themselves through this wringer."

The Judiciary Committee, meanwhile, was also considering publication of boxes of supplementary evidence provided by Mr. Starr.

Since last week, the committee has studied the 2,600-page appendix to the Starr report, which includes tapes, court orders, charts and a diagram of the Oval Office.

Republicans were not unanimously in favor of releasing all the evidence, according to sources quoted by The Washington Post. One legislator, Nancy Johnson of Connecticut, said that some details were "not good for our kids."

adding, "If the detail isn't necessary, we don't need to drag ourselves through it."

But Representative Christopher Cox of California, chairman of the Republican Policy Committee, said: "This is a democracy, and this kind of proceeding must be carried out in public. Let the facts speak for themselves."

One committee member said a tentative agreement had been reached not to make public the most sexually explicit of the written documentation provided by Mr. Starr.

"There is an agreement between the majority and minority staff that there is certain information that should not be in the public domain," said Representative Stephen Buyer, an Indiana Republican.

1996, they remained the very best of friends. Yet, as the American writer Paul Berman wrote in *The New York Times Magazine*, "Vaclav and Olga had not been exactly faithful to each other in the romantic sense, but they had been loyal and close in other respects."

Such views of the marriage had circulated within the tiny dissident community, where a record of sexual fidelity had less to do with determining a person's standing than loyalty to each other and a reputation for never cooperating with the secret police.

Soon after Olga's death, Mr. Havel's

relationship with Miss Veskunova became apparent and its earlier existence was widely retroactively assumed. She was referred to in the press as his lover but, though Mr. Havel has his enemies, the issue of their relationship was never raised in a political context.

But given the great respect that Olga had commanded, Miss Veskunova was not readily accepted by all citizens.

She was the butt of many jokes, and the press, which withheld comment on the propriety of having a first lady appear nude in a film, directed criticism at

matters of decorum and housekeeping.

for impeachment. He said she was familiar with the report's contents, even if she had not read all of it.

At her weekly news conference Thursday, Ms. Reno appeared to be taking distance from the scandal, which has caused an uproar in Congress and the worst crisis of Mr. Clinton's presidency.

Ms. Reno, America's highest legal official, in January approved Mr. Starr's request to expand his investigation into the Lewinsky sex-and-perjury allegations. And under the law, Ms. Reno is the only person who may remove an independent counsel from office for "good cause."

Ms. Reno said she had no view on whether the House of Representatives Judiciary Committee should release Mr. Clinton's videotaped testimony to a grand jury investigating the allegations against him.

Ms. Reno also said she did not make any comments during last week's emotional cabinet meeting when Mr. Clinton apologized for his behavior.

Ms. Reno said that after the meeting she "went up to the president and shook his hand and said that I appreciated the opportunity to hear him." Mr. Clinton responded by thanking her for attending the meeting, she said.

BURMA: Dissidents Defy Junta

Continued from Page 1

powerful Buddhist hierarchy and from some much-respected retired military men, who have issued statements supporting Daw Aung San Suu Kyi's call for a dialogue with the leadership.

Several of the ethnic insurgencies that have reached cease-fires with the government have also recently made statements in her support.

Recent weeks have also seen what may be the reawakening of an active student movement, traditionally the foundation of protest in Burma. For more than a month small groups of students have reportedly staged hit-and-run rallies in the capital, Rangoon, sometimes distributing leaflets before quickly disbanding.

The All Burma Students Front, an exile group based in Thailand, said that four high school students arrested in connection with a demonstration Sept. 9 had been sentenced Wednesday in Burma to five years in prison.

"The students are the unknown quotient here," Mr. Silverstein said. "I don't know how well they are organized; nobody knows. They demonstrated 10 years ago that they could organize secretly to the point of being quite effective." As a protective measure, authorities have closed all universities since the last student demonstrations in December 1996.

As the country's economy has worsened, with inflation and unemployment rising and food shortages emerging, diplomats and other residents say, the patience of many people with the military rulers may be wearing thin.

"The rank and file as well as the leadership of the NLD has simply reached the point where they are not prepared to see time just continue to drag on, year after year, with the government never delivering on its promise to step aside and create a multiparty democracy," a diplomat said.

But the options of the movement are limited. As in 1988, when virtually the whole nation rose up against its government, the men with the guns may again have the last word.

Any possible tactical debate within the military leadership seems to have been won, for now, by hard-liners who appear determined not to compromise with the opposition even if it means driving their country further into international isolation, several analysts said.

There may be members of the ruling junta who see the benefits of a more subtle approach, said Berlind Lintner, a journalist who is the author of several books on Burma. "But the hard-liners think, the hell with that. The moment they sit down and talk with Aung San Suu Kyi it's almost like admitting defeat. Talking, discussion, dialogue — this is not part of their political vocabulary."

He added, "There could be another crackdown that would crush the NLD. These guys are fighters who don't know anything about the outside world. They don't care. They are prepared to do totally irrational things like shooting people in the streets, as they did in 1988."

Their calculations, made using two independent methods and two different types of radio data, took the following into consideration:

Possible errors in software and hardware used in computer analyses;

the gravity exerted by the sun, its planets and the Milky Way galaxy; possible gas leaks from the crafts' maneuvering rockets, errors in planetary motion tables and accepted values of Earth's orientation and motion and possible forces created by radiation from onboard power reactors.

Other factors considered: a possible drift in atomic-timing clocks used to determine a craft's distance from Earth and the possible gravitational influence of hypothetical dark matter and the theoretical particles thought to constitute a significant fraction of the universe's mass.

In contrast with the force of gravity, the strength of the mystery force does not decline proportionally to the inverse square of a spacecraft's distance from the Sun but at a constant — linear — rate. This argues against the force being a gravitational effect of the sun.

Mr. Anderson said a mission to the planet Pluto in the 21st century might shed light on the mystery.

ETA: Basque Group Announces Cease-Fire

Continued from Page 1

ded to the three main Basque provinces, where the 2 million residents have their own Parliament, taxing powers and a regional police force.

Xabier Arzalluz, leader of the Basque Nationalist Party, said the cease-fire brought "relief to all threatened by ETA."

■ No Change on Crackdown

Government officials remained tight-lipped on whether they would continue a police crackdown on ETA despite its declaration, Reuters reported.

ETA said this year that it was "ready to learn" from the approach taken by the Irish Republican Army, whose cease

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No Easy Road on Clinton

Part of the problem in deciding on a response to President Bill Clinton's behavior is that the authors of the Constitution failed to envision conduct as tawdry as must now be dealt with. At some level, there is a mismatch between the available constitutional punishment and the crime.

Not to impeach America's chief law enforcement officer for having, at the very least, lied under oath in the course of a court proceeding meant to achieve such enforcement is to lower the bar—if not to say that it is O.K. to lie, then at least to say that under certain circumstances it is possible to lie even in an official setting with relative impunity.

Yet invoking the majesty of the impeachment clause against behavior as trashy as this is somehow to cheapen the clause. That, in the end, is the worst of what the man has done. Having himself debased the office, he forces us to debate in turn either the national standard of judgment as to acceptable behavior or the great instrument for enforcing that standard. The muck affects it all.

Some people want to solve the awful problem with a brokered deal. They favor an elaborate, albeit still unspecified, form of censure. It is not just the president's remaining friends who are calling for this as a way of allowing him to serve out his term.

People rightly fear the disruption that a protracted impeachment process could entail; there is a great reluctance, as ever there ought to be, to tamper with a settled election result, and there is a kind of revision that causes just about everyone to yearn for a fix that would let the country put the repugnant episode behind it.

But it seems too hasty—premature—to be discussing an arrangement such as this. To begin with, a fair amount about the episode still remains uncertain or unknown. It has to do with whether the president lied under oath, which we regard as established, but with whether he engaged in some further obstruction of justice. We would like to know about Betty Currie's complicated role, and Vernon Jordan's, just for openers.

Now are we yet convinced, as the

president's robotic defenders suggest, that it is somehow necessary to prove obstruction to have an impeachable offense—that mere lying, as they would have us think of it, is not itself enough. Who wouldn't lie in circumstances such as those in which the president found himself? they ask. But there is an answer to that.

A second alternative to the regular order of an impeachment inquiry is to call for the president's resignation, but that, too, seems too easy. It seems absolutely the case that an honorable man would long ago have resigned on his own—and that Mr. Clinton will not resign unless he is forced to.

But resignation without some adjudication of the offense is also a defective way of resolving the matter. It ducks the issues that need to be confronted. It, too, lowers the bar, in terms of what it takes to drive a president out of office. Revision is not enough, nor should the polls become the test. The causes need to be articulated.

For all these reasons, we return almost by default, for now, to the impeachment process. The House should conduct the constitutional inquiry. There is time enough to do it right. The Republicans have a stake in making sure that in fact it is done that way, that it does not turn into a kind of weekly political taunt.

The Democrats have a similar responsibility. The risk of tying the country up, and the president down, for some period of time, seems less than the risk of coming too quickly to the wrong result.

It may turn out in the end that some brokered arrangement seems the right one, but that is not clear yet. An impeachment inquiry involving the sorts of things that one does will be an awkward and unpleasant process.

It clearly will be a distraction from other problems, some of them urgent ones, that we would much rather the two elected branches deal with. But it seems there is no choice but to take the detour and suffer the delay. That is another part of the price that the president's vast irresponsibility now exacts from us.

—THE WASHINGTON POST.

Iran vs. Afghanistan

To American eyes, the clerical dictatorships of Iran and Afghanistan can seem variations on the same Islamic fundamentalist theme. But relations between the two neighboring countries are now at a flash point. Ethnic, political and religious tensions have been exacerbated by the recent killings of at least eight Iranian diplomats by Afghan Taliban fighters. Iran is now assembling 250,000 troops along the Afghan border and threatens military action unless its demands for amends are met.

There is irony here, since 18 years ago it was Iran that held 52 American diplomats hostage for 444 days. This time, Iran has a legitimate grievance. Carrying out its military threats, however, would undermine the efforts of President Mohammad Khatami to reassure the world that Iran no longer seeks to threaten its neighbors or export revolutionary violence. Instead, Tehran should stick to diplomacy in pressing its demands for an apology and for prosecution of the killers by an Iranian or international court.

A United Nations working group on Afghanistan meets in New York on Monday, and Iran's foreign minister and Secretary of State Madeleine Albright may attend. Such talks could help defuse the crisis over Iran's dip-

—THE NEW YORK TIMES

Other Comment

Spare the Constitution

Resignation was Richard Nixon's final act of violence to our constitutional system. Perhaps his act was one of desperation, perhaps he sought to save himself from further disgrace and preserve his benefits. We must remember that pressure for his resignation came from Congress itself, particularly from Republicans anxious to salvage the party's fortunes. But across party lines, Congress had little desire for a long, tedious and politically risky process of impeachment and trial. Demands for President Bill Clinton's resignation have the same self-serving quality.

For Democrats now, the appeal of resignation is simple: it saves them the risk of defending the president. But the

Republicans are equally transparent. Tom DeLay, the House Republican whip, has bluntly called for Mr. Clinton's resignation. Senator Sam Brownback of Kansas has called on the president to "do the right thing for our country, and resign voluntarily."

The aberration of Mr. Nixon's resignation now threatens to become a form of parliamentary no-confidence that conveniently enables Congress to avoid its constitutional duty of impeachment. Richard Nixon's resignation spared him and his party; whether he did the best thing for the constitutional system is another matter.

Stander J. Kuter, the author of "Abuse of Power: The New Tapes of Richard Nixon" and "The Wars of Watergate," writing in the Los Angeles Times.

For Asian Stability, a China-U.S.-Japan Triangle

By Ezra F. Vogel

SINGAPORE—In Asia, the end of the Cold War and China's spectacular growth have ushered in a new "era of three kingdoms." It is the first time in history that China, Japan, and the United States have all been strong Asian powers at the same time. Unlike the period in Chinese history immortalized in the "Romance of the Three Kingdoms," we cannot afford a conflict between these three nations because each now has awesome military power at its disposal, or the technology

and long-standing professional relationships in all sectors at all levels of the two countries—an interaction and communication possible between two complex modern societies with highly developed compatible specializations and well-established common rules and procedures. With similar technological and industrial capacities, companies from the two countries engage in keen competition, but this does not preclude cooperation in the security sphere or even in the economic sphere.

On the second side of the triangle, the United States and China have begun to develop closer relations since resuming high-level contacts in 1971, especially since China's opening in 1979. Since

First of two parts.

mid-1996, the two countries have started to lay the basis for a post-Cold War cooperative relationship that does not rest on opposition to the Soviet Union.

The economic relationship is highly complementary. Investment, scientific, and managerial skills flow from the more developed economy of the United States to the developing economy of China, while low-cost labor-intensive industrial products flow the other way.

However, it will be many years before China solidifies its modern institutions to permit easy interaction and communication between the two societies, and many years after that before the interlinked sectors of the two societies develop the trust to undergird a solid relationship.

A start has been made to develop a productive and strategic U.S.-China relationship, but for at least some decades it cannot compare in depth and scope to the U.S.-Japanese relationship.

Relations between China and Japan, the third side of the triangle, are extremely but brittle. Japan's written language, culture, religion, philosophy, and art have been deeply influenced by China. As a result of proximity, Japan

has high levels of trade, investment, and tourism with China. Japan contributes more aid to China than any other country.

But Japanese cruelties during their humiliating invasion of China from 1931 to 1945 are vividly remembered by the older generation and widely publicized for younger generations. Many Chinese are deeply concerned about the revival of Japanese militarism. The Japanese, in turn, are concerned with signs that China is again beginning to act like the great Middle Kingdom to which all other powers owe obeisance.

Because Japan has few natural resources and must rely almost entirely on its productive capacity, many Japanese companies and government officials are especially cautious about transferring up-to-date industrial technology to China that might threaten their domestic industries. Despite the high level of contacts between China and Japan, trust is lacking.

Assuming that China continues to grow more rapidly than the other two, will its ambitions expand as it gains economic and military strength, and its current willingness to cooperate with other countries to gain technology and investment diminish?

China faces enormous problems. But there are many grounds for hoping that it will continue to progress, including the coherence and determination of the political leadership, the competitiveness of Chinese products in world markets, its huge domestic market, the massive new investments in infrastructure and the high savings rate.

These factors suggest that China will continue to grow more rapidly than most other countries.

China's likely course of expanding its range of contacts with the outside world, upgrading education, extending the rule of law, and adapting to international markets and institutions all provide a basis for believing that as China will develop in the direction of playing a more positive role in regional and international affairs.

The United States—despite the occasional distortions—still fundamentally acts as if its interests are con-

sistent with world order by reducing global conflict, maintaining an open global economy, protecting the environment, assisting with humanitarian aid and helping to oppose oppression throughout the world. It has no territorial ambitions in Asia and is prepared to use its forces to maintain international rules. The United States has no choice but to pursue these goals by gaining the cooperation of other countries.

The inability of Japan to respond quickly to the problems of bad loans and a stagnant economy since 1990, has placed limits on its activities abroad and diminished its prestige. Yet Japan's industrial capacity, its highly educated work force, financial resources, technology, and organizational abilities still make it the No. 2 economic power of the world. Japan also remains the world's largest creditor.

It is an open question whether Japan will begin a long relative decline because of its failure to adapt sufficiently to market changes. But in certain critical stages in the past, as in the transition from the Tokugawa to the Meiji Period and in the 1970s after the oil shocks, Japan has been able to undertake powerful systemic changes that kept it strong. At the very least, Japan is likely to remain one of the two or three largest economies in the world for decades.

Japan remains a cooperative global power without territorial or military ambitions. Despite the current criticism of Tokyo for not doing more to stimulate Japanese growth for Asian recovery and not providing more political leadership in regional and global affairs, it continues to play a very constructive role as a model member of regional and international organizations. Japan follows rules, and its role in providing aid and capital around the world is unequalled.

The writer is head of the Fairbank Center for East Asian Research at Harvard University. This comment was adapted by the International Herald Tribune from the second Goh Keng Swee Lecture on Modern China he gave in Singapore recently.

Clinton on Impeachment: The View From '74

By John W. Whitehead

CHARLOTTESVILLE, Virginia—I knew Bill Clinton before the world knew Bill Clinton. It was early 1974, and we were both at the University of Arkansas School of Law in Fayetteville. He was a young law professor and I was a third-year law student with Marxist views.

Although I never took a class with him, I did meet him on several occasions to interview him for an article I wrote for The Grapevine, a local underground newspaper.

At the time, Mr. Clinton was preparing to challenge the incumbent Republican congressman, though he had not officially announced his candidacy. We met several times over a few weeks and discussed his views—sometimes in a bar and once at his home, where he made dinner for me and my wife.

This was his first political interview, and we covered a wide range of subjects—his work on George McGovern's presidential campaign, the role government should play in our lives, and Bob Dylan's music. "I think he's a genius," Mr. Clinton told me.

I shared that view, subscribing to Dylan's lyric, "Propaganda, all is phony." Politicians, to me, were the epitome of phoniness, and there was no way to trust them.

But Mr. Clinton has an uncanny ability to look you in the eye and make you feel like the greatest person on earth. Thus I went into those interviews very critical of him, but wound up praising him in the introduction to my article: "To those of us who knew the empty feeling that accompanied the McGovern defeat, Bill Clinton could probably be the reinstatement of the people's candidate."

I quickly found out how persuasive the Clinton charm was during our first meeting, which occurred around midnight on a Wednesday in early February 1974. Mr. Clinton had just returned from Russellville, where he had been speaking to a small group to gain support for his budding campaign. We sat on bar stools, each with a beer. He was in a good mood and ready to answer my questions.

My first question was why an Arkansas native had attended Georgetown University in Washington. "I wanted to be exposed to the national government so that I could get a small group to gain support for his budding campaign. We sat on bar stools, each with a beer. He was in a good mood and ready to answer my questions.

He responded: "What happened to the candidate was he became a product of the modern mass industrial society, a sort of packaged product. He was nothing more to the people than a PR man's construction. He didn't say anything about anything. I won't let that happen to me."

For all his expressions of idealism, some of the political fuzziness we now know him by surfaced when he discussed the new Southern politicians: "Often, when they have found themselves in a difficult spot, they have been known to give less than concrete answers. I

personally don't believe that they are selling their souls when they do this. So, you see, I don't view this as a light and darkness thing either."

"Are you a politician?" I asked. "Yes," he responded.

Is it not curious that the words Mr. Clinton uttered in 1974 have come back to judge him today? If Kenneth Starr's report proves that the president committed perjury by lying under oath or that he obstructed justice, might his definition of impeachment as including "any criminal acts" come back to haunt him?

When he was nominated for Congress in Hot Springs, I went to the Democratic convention. He picked me out of the audience, waved and said, "Hi, John."

Our paths did not cross again until years later. I went on to practice law, start a family, become a Christian, change some of my political views and establish an organization that specializes in civil liberties and religious rights. Not until the Rutherford Institute got involved in the Paula Corbin Jones case against President Clinton did we meet again, this time on different terms.

To me, the real questions today are: How did Bill Clinton become what he would not become? How could someone with so much promise self-annihilate the way he has?

The president and I come from a generation that was going to bring about a new age of peace, hope and understanding. We were planning to change the world for the better and be better people. What happened?

John W. Whitehead, a lawyer and author, is president of the Rutherford Institute and co-counsel in the Paula Corbin Jones sexual harassment lawsuit against President Clinton. He contributed this comment to The New York Times.

IN OUR PAGES: 100, 75 AND 50 YEARS AGO

1898: Dreyfus Affair

PARIS — The decision of the Council of Ministers to enter on the preliminary stage of revising the Dreyfus case has caused an almost universal feeling of relief.

M. Sanier, Minister of Justice, explained his reasons for deciding that they would enter if the president were removed. "It's the old problem of 'the devil you know is better than the one you don't.'

"Congress has to serve as a limiting institution because Congress itself is needed to act as a strong and powerful brake on the abuse of power by the

in this angry atmosphere, Mr. Yavilsky by telephone in Moscow to ask: Are you guys out of your minds? When Russia most needs the West, you put it in a lifelong enemy of freedom? When Russia's economy most needs the price of its oil exports to go up, you put in the man who wants to get Iraqi production flowing to save Saddam Hussein and bring on an oil glut? When Russia most needs the rule of law and private property, you bring in a veteran Communist with no understanding of free enterprise?

"This was a painful compromise," he explained. "Primakov was the only one Yeltsin and the Communists could agree on. I have no deal with him." That turns out to be true: Mr. Yavilsky turned down the offer of a deputy prime minister's post.

Remaining democratic reformers hope that the ensuing disaster will be blamed on the leftists in the Duma elections next year and elections for the presidency the year after.

That is wishful thinking. Mr. Primakov will take Russia toward more state economic control, which is only a step away from central political control. Transition is not his ambition.

Should we bail out Mr. Primakov's ailing Russia? The Czech president, Vaclav Havel, offered a sage comment Wednesday: "Better an ill Russia than a healthy Soviet Union."

The New York Times.

anarchy are so rampant that only the intervention of Italy can save the Free State. While Italian pressure is being exerted on Yugoslavia, the latter country is threatened by a Bulgarian invasion in Serbian Macedonia. The Belgrade Government has notified Bulgaria that if any such incursions occur, Yugoslavia will consider them a casus belli.

1948: UN Arbiter Fears

JERUSALEM — Count Folke Bernadotte, of Sweden, the United Nations mediator, and his French assistant Colonel Andre Serot, were shot dead by four gunmen in the Katamon quarter of new Jerusalem. Four men whirled a jeep into the path of the mediator's car, which stopped. The quartet then flourished a Tommy gun, forced Count Bernadotte and Colonel Serot from the car, and shot them dead. The United Nations statement termed the assassins "irregulars."

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OPINION/LETTERS

LETTERS TO THE EDITOR
Coping With the Starr Report; Anger and Blame All Around

Kenneth Starr blew it. If, after four years and \$40 million, all the independent counsel can come up with is an affair between a silly man in a midlife crisis and a predatory groupie, he has missed the mark. He has tried to cover his failure with a lurid sex exposé, hoping the shock will cover his embarrassing debacle of an investigation.

What will the voters have to say about that in November, particularly if the Republicans in Congress insist on beating the issue to death instead of getting down to solving some of the huge problems facing the country?

DON FORESTA
Paris

Honor is due to those Democratic senators and representatives who are putting the nation and their oaths of office before the narrow interests of their party. They, like the Republican senators Howard Baker and Lowell Weicker during the Watergate hearings, will be honored by history.

Contrast that with the more numerous Democratic elected officials who in effect are saying that the president is doing a good job, so charges of perjury, witness-tampering and abuse of office should be overlooked by the Congress and the people. History will have a word about them also.

JAMES R. FEES
Brussels

President Bill Clinton seems to have wrecked his presidency by choosing the wrong fight. With conflicts and crises shouting for his attention around the world, he is obsessed about his stained ego. Inability to do one's job is a sufficient reason for resignation.

CHRISTINE ROSSINI
Cologne

We Europeans are flabbergasted by what is coming out of Washington. This reaction is not due to cynicism over moral issues. Privacy is an essential component of human rights, and destruction of privacy is an

essential component of totalitarianism. President Clinton's public humiliation should remind Americans of Hawthorne's powerful description of Puritan totalitarianism in "The Scarlet Letter."

GIULIO BINOCCHI
Geneva

"Monicagate" is not about a leader's sexual indiscretions and inevitable cover-up. Nor is it about the opposing party's opportunistic handling of the situation. Sex, politics and the intermingling of the two are as old as the hills.

What is new is the spread of technology that allows media supersaturation and the instant dispersal of information. It is about our electronic "interconnectedness" and our questionable ability, as yet, to deal with it. The seeds were sown in the live coverage of a slow-speed chase of a certain white Ford Bronco.

DANIEL FRANKL
Amsterdam

My American friends here are doing something now that I have not heard of since the Vietnam era: They are pretending to be Canadian. Let me add that we are not ashamed of our president. What they, and myself, are ashamed of is the venality of the Republican Party, the spinelessness of the U.S. Congress and the shameless idiocy of Mr. Starr's entire campaign. Is the president the only member of the U.S. government still concerned with running the country?

JEREMY SAXON
Prague

The stalwart defenders of morality in America, in their zeal to overthrow the two-electric president of the United States, have had their own appointed independent counsel produce a \$40 million pornographic report and then put it on the Internet for every child with a computer to read. Thanks.

JOHN MCQUEEN
Heidelberg, Germany

An Intolerable Case of Workplace Misconduct

In response to the report "The Gradual Erosion of the Private Sphere: Everything's Fair Game Now," Sept. 15: I am amazed that people still consider this to be an investigation into Bill Clinton's private life.

This incident involved the president and an intern working at the White House. Some of the events took place during working hours. They took place in and around the Oval Office, Mr. Clinton's official workplace. Finally, according

to the report of the independent counsel, Kenneth Starr, some of the events took place while the president was conducting official business on the phone.

Such conduct would not be considered private if it had occurred in the military or in the private sector. It would not be tolerated in any other position. It should not be tolerated from the president of the United States.

PETE ABRAHAM
Singapore

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Such conduct would not be considered private if it had occurred in the military or in the private sector. It would not be tolerated in any other position. It should not be tolerated from the president of the United States.

PETE ABRAHAM
Singapore

JOSEPH CONRAD'S "Heart of Darkness" is frequently read as an allegorical or Freudian parable, while its murderous hero, Kurtz — the renegade white trader, who lives deep in the Congo jungle behind a fence adorned with shrunken heads — is regarded as a Nietzschean madman or avatar of colonial ambition run dangerously amok.

As Adam Hochschild's disturbing new book on the Belgian Congo makes clear, however, Kurtz was based on several historical figures, and the horror Conrad described was all too real. In fact, Hochschild suggests, "Heart of Darkness" stands as a remarkably "precise and detailed" portrait of King Leopold's Congo in 1890, just as one of history's most heinous acts of mass killing was getting under way.

Under the reign of terror instituted by King Leopold II of Belgium (who ran the Congo Free State as his personal fief from 1885 to 1908), the population of the Congo was reduced by half — as many as 8 million Africans (perhaps even 10 million, in Hochschild's opinion) lost their lives.

Some were beaten or whipped to death for failing to meet the rigid production quotas for ivory and rubber harvests, imposed by Leopold's agents. Some were worked to death as porters, rubber gatherers or miners. Some died of the diseases introduced to (and spread throughout) the Congo by Europeans. And still others died from the increasingly frequent famines that swept the Congo basin as Leopold's army rampaged through the countryside, appropriating food and crops for its own use while destroying villages and fields.

It is a book that situates Leopold's crimes in a wider context of European and African history while at the same time underscoring the peculiarly modern nature of his efforts to exert "spin control" over his actions.

Leopold himself comes across as a cartoon-strip megalomaniac — a mad, greedy king obsessed since adolescence with the idea of running a colony of his own and intent throughout his career on covering his lust for money and real estate in honeyed talk of philanthropy and human rights.

As for Henry Morton Stanley, the world-famous explorer whom Leopold remained as his agent, he is depicted as a Dickensian bully and chronic liar who allowed his own monumental celebrity to be used by Leopold for the worst possible ends. He eventually persuaded hundreds of Congo basin chiefs to sign over their land and their rights to the king.

King Leopold then succeeded in winning diplomatic recognition of his new colony. Hochschild argues, by playing one great European power against another and by portraying his control of the Congo as a kind of benevolent protectorate that would bring a civilizing influence to the continent while thwarting the malign designs of Arab slave-traders eager to exploit the region. Leopold scurriedly saw the Congo as a rich source of rubber, ivory and other natural resources that could fatten his coffers at home.

New York Times Service

BRIDGE

By Alan Truscott

AMID some confusion, Poland and the United States captured major titles at the world championships in Lille, France. In the Societe-Generale Open Pairs, a little-known Polish pair, Michael Kwiecien and Jacek Pszczola, surged to victory. The American pair of David Berkowitz and Larry Cohen barely held on to second position.

The standings were: 1st, Kwiecien and Pszczola, 55.85 percent; 2d, Berkowitz and Cohen, 54.99; 3d, Magnus Lindkvist and Peter Fredin of Sweden, 54.97; 4th, Chris Compton and Ralph Katz of the United States, 54.93.

The confusion was an error in planning the movement of players. This caused several pairs to sit out some rounds of play, repeating a problem earlier in the final.

Jill Meyers and Shawn Quinn of the United States won the Louis Vuitton Women's Pairs. The standings were: 1st, Meyers and Quinn, 55.14 percent; 2d, Sabine Auken and Daniela von Arnim of Germany, 54.69; 3d, Veronique Bessis and Catherine D'ovidio of France, 54.03; 4th, Sylvia Moss and Gail Greenberg of the United States, 54.01.

On the diagrammed deal, Meyers as South brought home a difficult game after an auction that featured some artificial bidding. The two

club rebid required a two-dimensional bid, and the jump to three hearts was a mild invitation to game, which was accepted.

An opening spade lead was won by the king, and the diamond seven was led. West won and persevered with a second spade, won with the ace.

South threw a diamond and led the club jack, covered with the queen and ace. A diamond was ruffed, and the heart ace was cashed, removing the jack.

A club was led, and East took the king and led a trump. South won, led to the club nine, and ruffed a spade. She then ruffed a diamond with the heart king, and led another spade. This allowed

club rebid required a two-dimensional bid, and the jump to three hearts was a mild invitation to game, which was accepted.

Neither side was vulnerable. The bidding:

NORTH (D)

♦A 8 4 3
♥A 7 3
♦6
♦J 9 5 2

WEST

♦J 10 8 5 2
♥J 9 8 5
♦A Q 3 10 9
♦6 4

EAST

♦Q 9 8 6 4
♥Q 9 8 5
♦K 7 4 2
♦A 10 8 7

SOUTH

Neither side was vulnerable. The bidding:

North

♦1 ♠ Pass
♦2 ♠ Pass
♦3 ♠ Pass
♦4 ♠ Pass

East

♦1 ♠ Pass
♦2 ♠ Pass
♦3 ♠ Pass
♦4 ♠ Pass

South

♦1 ♠ Pass
♦2 ♠ Pass
♦3 ♠ Pass
♦4 ♠ Pass

West

♦1 ♠ Pass
♦2 ♠ Pass
♦3 ♠ Pass
♦4 ♠ Pass

West led the spade jack.

Photo taken at the Royal Windsor, Brussels

In 1926, out of love for a woman, a man built the first Warwick Hotel in New York — press magnate William Randolph Hearst. Famous for his exacting standards and iron fist, he demanded nothing less than the best... and obtained it. Over the years, "the best" has evolved into a world of refined elegance, a world of efficient and yet discreet service... a touch of excellence. And this is the world that awaits you in the capital of Europe, Brussels. At the Royal Windsor, next to historic Grand Place. And in the charms of the nearby countryside, at the Chateau du Lac in Genval. Come and share this touch of excellence... now in 34 hotels.

Warwick
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With Vigor and Persistence, The Poison Can Be Purged

By Gideon Rafael

JERUSALEM — A few weeks ago in Armagh, Northern Ireland, militant Protestants marched past a Catholic neighborhood, shielded by sizable contingents of British troops and local police, as thousands watched the provocation in silent contempt.

The inhabitants of Armagh responded in their own way at a peace rally on Sept. 3. Thousands of people of both faiths paid tribute.

MEANWHILE

ute to Bill Clinton for his contribution to the Ulster peace talks and applauded the visiting U.S. president's appeal to other peoples, torn apart in murderous strife, to be inspired by the reconciliation in Ireland.

Watching a broadcast of the exuberant crowds celebrating peace, I remembered an episode, one of the sadder in my diplomatic service.

In 1944, two Israeli hitmen were sent to Cairo by the extremist fringe organization Fighters for the Freedom of Israel, better known as the Stern Gang, to assassinate the British minister for the Middle East, a distinguished Irish nobleman, Lord Moyne. They were caught, tried and executed.

Thirty years later, Egypt, in response to Israeli solicitations, transferred the remains of the perpetrators for burial in Israel.

At the time, I served as Israel's ambassador to the Court of St. James's and to the Republic of Ireland. One day in June 1975, my secretary at the embassy in London informed me that Lord Moyne was on the phone. I picked up the receiver, thinking that somebody was playing a macabre prank.

President Clinton's transgressions were at least private and hurt no one until Mr. Starr's warped mind construed a gentleman's effort to shield these private acts as criminal perjury. By opening his report to the public, Mr. Starr has irreparably damaged the presidency. We Americans abroad are humiliated.

JACQUES LINDON
St.-Martin-la-Garenne, France

Mr. Starr has perpetrated a scandal 100 times worse than anything done by President Clinton. His report is a scurrilous attack not only on the person of the president but also on the office of the president.

In the highly questionable function of special prosecutor, and supported by exuberant-rightist elements, Mr. Starr has spent four years and millions of dollars going from one incident to another, obviously trying to find a fault with the president.

The independent counsel is 95 percent a sex-monger and the rest a political animal, not worthy of the title "judge." In any other society, he would be sued for libel.

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RICHARD BOSSHARDT
Lucerne, Switzerland

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The caller introduced himself as the son of the late British minister.

He referred to a front-page article in The Times of London that described the preparations for the funeral in Jerusalem of Lord Moyne's killers, which, it said, was to be held in a military ceremony and attended by members of the government.

He drew my attention to a report in the article that schoolbooks distributed by the Israeli Ministry of Education described his father as an enemy of the Jewish people, saying he had been responsible for the death of hundreds of refugees trying to escape Hitler's hell in wretched boats, sunk on their way

to British-ruled Palestine. The truth was, a week before his death, his father had communicated to Winston Churchill his support of a recommendation by a special cabinet committee favoring the establishment of a Jewish state in Palestine.

The son asked: "Would it be asking too much, Mr. Ambassador, for your interceding with the Ministry of Education to eliminate the untruth from the textbook?"

I called the foreign minister in Jerusalem to convey to him Lord Moyne's message. Vigil Allon, a former minister of education known for his efforts to foster Arab-Israeli understanding, was baffled. He had never seen or heard about the odious textbook entry. He directed me to inform Lord Moyne immediately that if the report was found to be correct, he personally would see to it that the offensive reference would be deleted.

I conveyed Mr. Allon's assurance to Lord Moyne, who thanked us profusely. "Nothing," he said, "is more endangering the future of all of us than to poison the minds and souls of our children."

The other day, small children, some of them toddlers, from the Jewish enclave in Hebron, went on a rampage in the Arab fruit and vegetable market, overturning stands and hurling invectives. They had been sent by their elders to retaliate for the murder of an elderly rabbi. Arab youths, indoctrinated "to hate the occupier," responded with a hail of stones.

Both sides are, as President Clinton said in Armagh, "trapped in the prison of their conflict." The Oslo accord was meant to breach the wall. Unfortunately, the peace train that left Oslo station amid high hopes five years ago got stalled on the track.

In Armagh, Mr. Clinton said, "Now, when I meet with Palestinians and Israelis I can say to them, 'Don't tell me that reconciliation is impossible. Look at Northern Ireland.'"

If Mr. Clinton pursues Mideast peace with the same vigor and persistence that he showed in the Irish imbroglio, a settlement is possible, provided leaders on both sides are willing to respond to the yearnings and needs of their peoples.

International Herald Tribune

LEISURE

Dancing a Slow Tango in Milan

*It's an Indoor City, With Treats for the Eye and Ear*By John Tagliabue
New York Times Service

MILAN — Some Italian cities, like Naples or Palermo, have a hard time being sedate. Ask them to spin a pirouette or dance a tarantella, and they're in their element. But Milan is not a tarantella — it's a slow tango, a cool, understated place with a measured step, where excitement can mean strolling to the Galleria Vittorio Emanuele, the glassed-in Beaux Arts shopping concourse adjacent to the Duomo, to down a cappuccino or just to see and be seen.

But Milan tangos a little faster in the fall, when the big trade fairs come to town, most notably the fall fashion shows. The spring and fall fashion weeks are certainly the busiest time of the year, with tens of thousands of anxious designers, willowy models, buyers, photographers and hangers-on descending on the city. Hotel rooms become such a rare commodity that visitors have been known to take accommodations in Switzerland, an hour's drive to the north. But if you book well enough in advance, it is also the most exciting time to be there. This year, the women's designer collections, for the fashion press, retailers and private clients, are being shown Oct. 2 to 10.

Milan is a spread-out city, and the best way to get an overview is on one of many bus tours or guided walks. Unlike Rome or Naples, where sunshine reigns much of the time, Milan can be damp and gray. So it is also an indoor city, whether that means lounging in one of the Galleria's cafés or visiting Leonardo's "Last Supper" in the former refectory of the convent of Santa Maria delle Grazie, or Michelangelo's tender Rondanini Pietà at the Museum of the Castello Sforzesco.

If the weather is nice, you might start by climbing to the roof of the vast Gothic Duomo, a Sierra of finials and statues that you can hike across like an Alpine meadow, and that affords a close look at the I Madonnina, the golden statue of the Virgin atop the central tower, and spectacular views of the city; on clear days the vistas stretch northward to the Alps.

A PLACE not to miss is the Ambrosiana Art Gallery and Library, 2 Piazza Pio XI, (39-02) 806921, which reopened last year after a seven-year restoration. The library, commissioned by Federico Cardinal Borromeo in 1607, contains 35,000 manuscripts and 700,000 printed books. The cardinal's personal art collection forms the core of the gallery: Milan's oldest museum. His good taste allows us to enjoy Raphael's cartoon for the School of Athens in the Vatican; Caravaggio's "Basket of Fruit"; paintings by Leonardo, Botticelli and Titian, and one of the world's finest collections of Lombard art.

To explore the heart of Milan, stand at the Duomo and walk through the Galleria to La Scala, then up Via Dante to the Castello Sforzesco, and the spacious gardens behind. To visit the fashion district, start at the Piazza San Babila, then stroll narrow Via Monte

Napoleone and nearby Via Spiga, lined with the flagship store of many of Italy's leading designers.

A 1920s tourist tram leaves from Piazza Castello at 11 A.M. and 1 P.M. daily (also 3 P.M. in September and October). From there, it passes the Duomo, goes out to the gradually gentrifying Navigli neighborhood of canals and narrow lanes — where some of Milan's liveliest night life can be found. It then goes to Santa Maria delle Grazie, and back by the fashion district and La Scala.

The Navigli neighborhood borders two canals in the southwest corner of Milan. Once the port of Milan (the canals connected the city to the Po River) and a tough working-class district, it has become a trendy neighborhood, filled with antiques shops, bars and restaurants, some on barges.

The city's most important art collection, the Brera, 28 Via Brera, (39-02) 722631, includes such masterpieces as Raphael's "Marriage of the Virgin," Piero della Francesca's "Sacra Conversazione" and Caravaggio's "Supper at Emmaus."

And one of Milan's best-

kept secrets is the 15th-century Church of Santa Maria presso San Sisto. The downtown church was built by Bramante next to a ninth-century basilica. Of particular note is the baptistry — marvelous in its Renaissance harmony — and the trompe l'oeil apse, designed that way by Bramante because he had no more room.

WHAT'S GOING ON No musical event in Italy commands as much attention — and reverence — as the opening of the opera season at La Scala, which traditionally takes place Dec. 7, the feast of St. Ambrose, Milan's patron saint. Yet the preseasong offerings at La Scala are also impressive, with ballets, operas, symphonies and chamber music most nights during the fall. The ballet corps closes its summer season with Kenneth MacMillan's "L' Histoire de Manon," which will be performed on Oct. 1 to 3, 6 and 7, with Alessandra Ferri, La Scala's prima ballerina.

The 1997-98 opera season closes with Donizetti's "Elisir d'Amore," with Mariella Devia, Vincenzo La Scala and Paul Groves. Performances on Oct. 15, 17, 19, 21, 23, 26, 27, 29, 31 and Nov. 6 and 8. La Scala's box office is at 2 Via Filodrammatici and tickets cost from \$17.50 to \$156.

La Scala overshadows other musical pleasures in Milan — a shame, for there are gems to be found. The Orchestra Verdi dazzles with a varied repertory at the Lirico Theater, with concerts on Thursday and Friday at 8:30 P.M. and Sunday at 4 P.M. Daniele Gatti conducts Beethoven and Prokofiev Sept. 24, 25 and 27; Riccardo Chailly presents Verdi and Berio on Oct. 8, 9 and 11. Tickets \$23 to \$29.

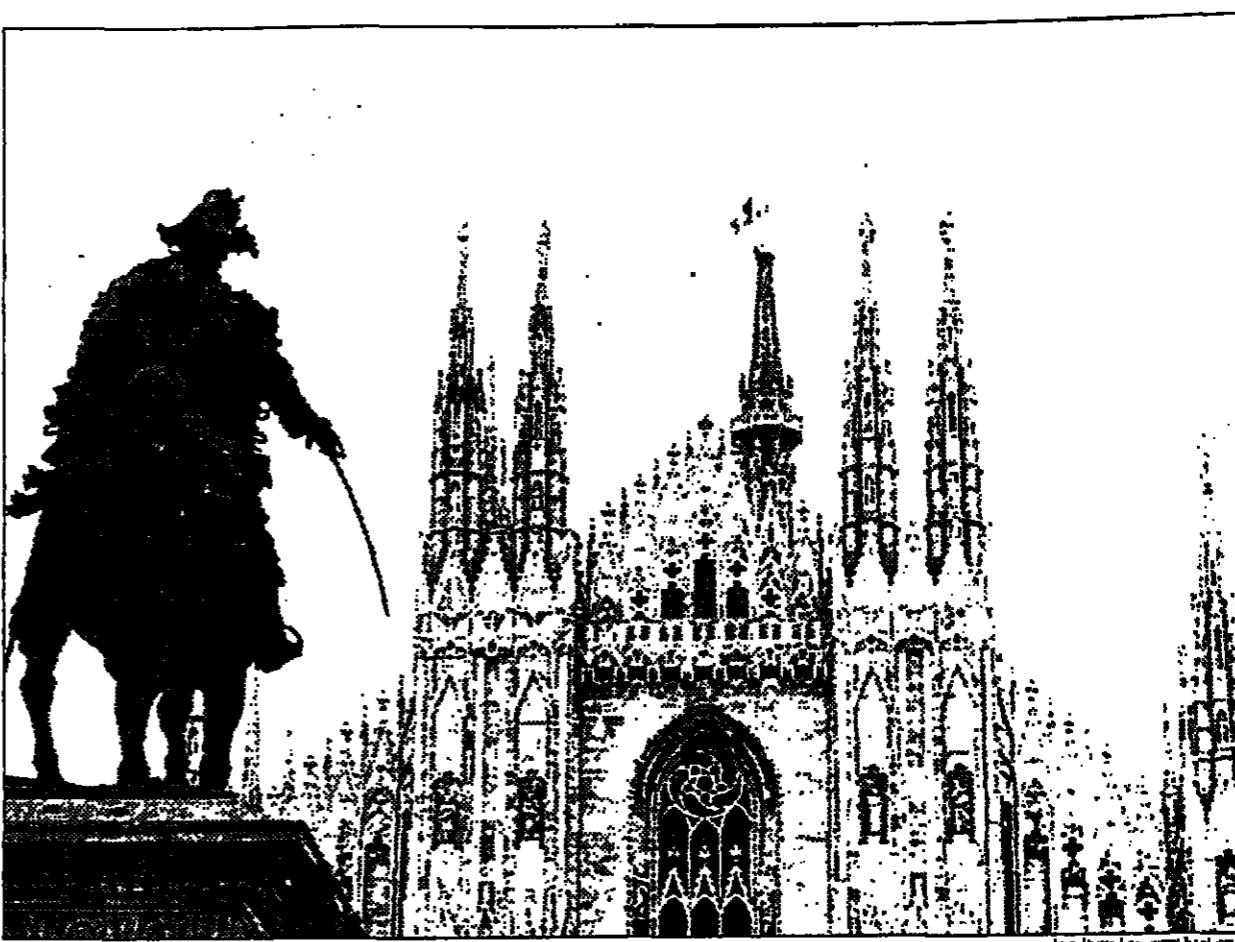
The Palazzo Reale plays host to "The Soul and Countenance," chronicling portraiture by painters from Leonardo to Francis Bacon, Oct. 30 to March 14. The palazzo, 12 Piazza Duomo, (39-02) 62083868, is open Tuesday to Sunday. Tickets \$6.50.

An extensive Man Ray retrospective at the Fondazione Mazzotta runs through Jan.

out drinks. A la carte meals will bring the bill to about \$100 for two. Reservations are preferred. (39-02) 55195540. Closed Monday.

The Osteria dei Binari, 1 Via Tortona, is in the Navigli district, the hub of Milanese night life. The Osteria, in the style of an old Milanese inn, with heavy wooden chairs and tables and iron lamps, and a large garden, exudes atmosphere and offers traditional fare of Lombardy, Milan's region. The fixed price menu is \$34.75, without drinks. Reservations suggested. (39-02) 89409428. Closed Sunday.

Ristorante Peck, across from the specialty foods shop of the same name, is stylish and intimate. A wide-ranging menu includes all the Milanese classics, from risotto alla Milanese, with saffron, to ossobuco and cotoletta alla Milanese. Dinner for two starts at \$135 with a nice bottle of wine. 4 Via Victor Hugo, (39-02) 876774. It is closed Sunday.



The visitor can climb to the roof of the vast Gothic Duomo and get a close look at the golden statue of the Virgin.

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Castello Sforzesco houses a Michelangelo Pietà.

around)

MOVIE GUIDE

COSÌ RIDEVANO

Directed by Gianni Amelio. Italy. This production won the Golden Lion for best film at this year's Venice Film Festival against exceptionally weak competition. Ettore Scola, the Italian director who headed the jury, was subsequently quoted as saying that at one point in the panel's deliberations the film had only one vote in its favor, and one member had described it as "industrialized sentimentality." Although this is the first Italian film to win Venice's top prize for a decade, local critics have also been divided as to its merits. "Così Ridenvano" means, literally, "The way they laughed" (though its makers have rendered this in English "The Way We Laughed"). This is a reference to a newspaper jokes column contemporary with the story's setting in the late 1950s and early 1960s, and is an index of the film's general tendency to an obscure particularity that risks leaving foreign audiences scratching their heads and wondering what it is all about. The film purports to tackle the theme of the mass exodus of labor from the poor south to the industrialized north, unquestionably one of the most important events in the making of modern Italy. Yet it turns out to revolve entirely around the dysfunctional and ultimately destructive relationship between two Sicilian brothers, Giovanni (Enrico Lo Verso) and Pietro (Francesco Giuffrida). The older, illiterate Giovanni comes to Turin above all with the aim of seeing his kid brother through school, hoping he will one day become a teacher. Giovanni is prepared to do any job, however menial, to realize this vicious dream, but Pietro spends most of his time playing truant, and eventually disappears. The ill-explained and not very credible denouement is so laborious and slow in coming that many exhausted viewers will surely regard it with a sense of numb detachment. Turin and the look of the period is lovingly re-created in wintery, grainy color, but the film has such a narrow



Francesco Giuffrida, left, and Enrico Lo Verso in "Così Ridenvano."

focus that it gives very little impression of the wider social drama that was then taking place. It fails, too, where Italian postwar film has sometimes so well succeeded, in giving the poor and inarticulate a voice. Amelio has made interesting, socially-aware films, including "Stolen Children" and "Lamerica," but the awarding of the Golden Lion to this one is unlikely to enhance his reputation. (Roderick Conway Morris, IHT)

LAUTREC

Directed by Roger Planchon. France. Roger Planchon, a grand old man of the theater, relies on tricks of the trade when he takes to the screen. His stylish, stagy version of the life and times of Henri de Toulouse Lautrec has much to admire — color, speed, drama — but never leaves room for wonder. This is the kind

of a script that drops names unashamedly: "Hello Van Gogh, you look a little low today, and isn't that old geezer in the nightcap Rembrandt?" While modern history is being made, from the kickoff of French cancan to the shock of Art Nouveau, the characters sound as though they were quoting from diaries. Elsa Zylberstein plays the artist Suzanne Valadon as a Belle Epoque feminist in love with the little man, as she calls him, but jealous of his talent. For once Toulouse Lautrec (Regis Roier) is not portrayed as a raunchy bearded dwarf, but as a sensitive man, living in the wrong body, and his relationship with his parents is treated with nuance. The mother, Adele de Toulouse Lautrec (Anemone), is a strong woman, bound by religion, who copes with a childish husband (Claude Rich) and who tries to

understand a son at odds with his background. Alibi, its chateau and traditions, is not the kind of place a creative boy can grow in, and Moumouette, its rebel artists and low life, is ready to be discovered. (Joan Dupont, IHT)

SLUMS OF BEVERLY HILLS

Directed by Tamara Jenkins. U.S.

Tamara Jenkins's playfully autobiographical "Slums of Beverly Hills" begins with the spectacle of Murray Abramowitz (Alan Arkin) overseeing the purchase of his daughter Vivian's first bra. It's a moment, like many in the film, that leaves Vivian (Natasha Lyonne) wide-eyed and astounded, incredulous over what goes on in her family. And no matter how such a father-daughter episode might play today, the film is set in a 1976 that it remembers as a more innocent time. In this atmosphere, Murray's behavior is simply overbearing and nosy beyond belief. With a wry air of having been here and done this, Jenkins (who developed her story at the Sundance Director's Lab) then leads her audience on a guided tour of the nomadic habits of the Abramowitzes, whom she has described as "Jewish Goths." No "Graffiti of Wrath" setting here, though: The film's characters simply wander

from one garishly named apartment to another on the fringes of Beverly Hills, where the divorced Murray is determined to keep his daughter and two sons.

"I wanted to show the sweetness and weirdness of people who will do anything to maintain their dignity," Jenkins has said. And her idiosyncratic family story does exactly that, while also chronicling every embarrassment that heralds Vivian's sexual coming of age. Unusually frank in this regard, the film (which makes ample use of body doubles) marches Vivian tentatively experiment with the boy next door, a guy named Eliot (Kevin Corrigan), who is proud of his Charles Manson T-shirts. It also notes Vivian's amazement at the way Rita (Marisa Tomei), her zany, glamorous cousin who is just out of rehab, flounces about in the buff, even in the Abramowitz living room. Jenkins makes the most of an especially ingratiating cast, with Tomei very charming and funny as Rita, Corrigan as stylily flirtatious as a Manson fan can be and David Krumholtz as the wisecracking brother who fits right into the Abramowitz ethos. All of them, especially Lyonne and Arkin, project a crazy sincerity that turns this personal and nostalgic comedy into a very true story indeed. (Janet Maslin, NYT)

Why Do Fools Fall in Love?

Directed by Gregory Nava. U.S.

Why DO fools fall in love? Better yet, why do fools take a perfectly fascinating story — the brief life and career of 1950s doo-wop singer Frankie Lymon and the three women who married him — and turn it into a dull and frustrating movie? The trouble with "Why Do Fools Fall in Love?" (which takes its title from the hit song of 1956 by 13-year-old Frankie Lymon and his backup group, the Teenagers) is certainly not the source material. In the brief time from when he hit the charts to his death by heroin overdose at age 25, the precocious Lymon (here played by Larenz Tate) managed to bed and wed a succession of three women — petty thief Elizabeth Warren (Viveca A. Fox), pop vocalist Zola Taylor (Halle Berry) and schoolteacher Emilia Egle (Leila Rochon). In fairness to this trio, their over-the-top performances are quite probably due to the appearance in the film of lime-light-hogging Little Richard as himself. It's no wonder that the three actresses have to emoter a bit just to seem like they are on the same planet as this scenery-chewing ham. (Michael O'Sullivan, WP)

ARTS GUIDE

AUSTRIA

VIENNA
20er Haus, tel: (1) 317-6900, closed Mondays. To Nov. 1: "Felix Gonzalez-Torres." A retrospective of the works of the New York artist who died in 1996 at age 38. Gonzalez-Torres resorted to the formal vocabulary of Minimal and Conceptual Art of the 1960s, while charging it with concepts of love, transience and death. www.mmkshw.or.at/mmkshw



Paintings by van Gogh, left, and Millet, in an exhibition at the Musee d'Orsay in Paris, show the influence of the French painter on van Gogh's work.

French Impressionism, particularly Manet and Degas. www.tamuseum.co.il

ITALY

FLORENCE Palazzo Medici Riccardi, tel: (055) 27601, closed Wednesdays. To Nov. 1: "Antoine de Saint-Exupéry." Items excavated on the site of Antiquity, a city founded in Egypt by Emperor Hadrian in the second century to honor the memory of his favorite, Antinous. Features textiles, pottery, statuary and paintings on wood.

BRITAIN

ROYAL ACADEMY OF ARTS, tel: (171) 300-8000, open daily. To Dec. 16: "Picasso: Painter and Sculptor in Clay." Attracted by the flexibility of clay and its pictorial and sculptural possibilities, Picasso "so worked with the material during the last 30 years" in his studio. More than 200 works are exhibited. Also: "Continuing" To Oct. 4; "Picasso: Love and the Stage." Focuses on the eight years the artist (1887-1985) spent in Russia between 1914 and 1922 when he created mural paintings, costume and set designs for the State Yiddish Theater in Moscow. www.royalacademy.org.uk

DENMARK

HORNEMARK Louisa Museum of Modern Art, tel: 49-19-07-19, open daily. To Jan. 10: "Joan Miró." A retrospective of more than 150 paintings, drawings and sculptures by the Spanish artist (1893-1983), who was often classified as a Surrealist, although his work spans a much wider range. www.louisa.dk

FRANCE

JOURNEES EUROPÉENNES DU PETRIMONIAL, Sept. 19 and 20. More than 10,000 religious, military and administrative buildings, castles and fortresses throughout France open their doors to the public.

PAES Jeu de Paume, tel: 01-47-03-12-50, closed Mondays. To Nov. 22: "Pierre Alechinsky." More than 100 paintings, china ink drawings and works on mosaics by the Belgian painter (born 1927), who was a member of the Cobra movement. Also, to Nov. 22: "Kcho." Assemblages made the Cuban artist (born 1970) from materials that connote Cuba and its history. Musée d'Orsay, tel: 01-40-49-48-14, closed Mondays. To Jan. 3: "Millet — van Gogh." A juxtaposition of paintings, drawings and pastels by van Gogh and Jean-François Millet (1814-1875), focusing on lyrical renditions of life in the fields and documenting the influence the French master had on van Gogh.

ISRAEL Tel Aviv Museum of Art, tel: (3) 656-1297, open daily. To Nov. 28: "Isaac Israels: Chronicle of Life." The Dutch artist (1865-1934) documenting the streets and the people of Amsterdam in a style that reflected the influence of

SPAIN Fundación Caixa Catalunya, tel: (3) 484-6300, closed Mondays. To Dec. 6: "Durer in French Collections." Engravings, drawings, etchings by Albrecht Dürer (1471-1528). The exhibition also includes books he wrote on drawing and architecture.

BARCELONA IVAM Centre Julio González, tel: (3) 386-30-00, closed Mondays. To Nov. 29: "Terry Winters." A collection of recent works by the American artist (born 1949). First an abstractionist, Winters started using botanical sketches of spores, pods and crystals in his paintings and drawings.

VALENCIA IVAM Centre Julio González, tel: (3) 386-30-00, closed Mondays. To Nov. 29: "Terry Winters." A collection of recent works by the American artist (born 1949). First an abstractionist, Winters started using botanical sketches of spores, pods and crystals in his paintings and drawings.

UNITED STATES

LOS ANGELES Getty Center, tel: (310) 440-7360, closed Mondays. To Nov. 29: "Fuseli to Menzel: Drawings and Watercolors in the Age of Goethe." Approximately 80 drawings and watercolors produced between 1750 and 1850 by German-speaking artists from Central Europe, such as Fuseli, Friedrich and Menzel. www.getty.edu

WASHINGTON National Portrait Gallery, tel: (202) 357-2700, open daily. To Nov. 29: "Andy Warhol's Flash... November 22, 1963." In this portfolio of 14 prints, Warhol interprets the life of Kennedy's assassination. www.npg.si.edu

CLOSING SOON

AMERICAS Sept. 21: "The Courtauld Collection." The Art Gallery of Toronto.

SPAIN Sept. 22: "Tony Smith." Museum of Modern Art, New York. www.moma.org

ITALY Sept. 20: "Miromachi to Edo Period Mirrors." Kyoto National Museum, Kyoto. www.kiyohaku.go.jp

ASIA Sept. 20: "Shikano Suke Oka." National Museum of Modern Art, Kyoto. www.momak.go.jp

NEW YORK Metropolitan Museum of Art, tel: (212) 570-3951, closed Mondays. To Dec. 13: "Letters in Gold: Ottoman Calligraphy." Features 70 objects from the largest private collection of Ottoman calligraphy in Turkey. Illuminated copies of Korans, calligraphic compositions as well as firman, or imperial edicts, warrants and patent documents.

UNITED STATES Getty Center, tel: (310) 440-7360, closed Mondays. To Nov. 29: "Letters in Gold: Ottoman Calligraphy." Features 70 objects from the largest private collection of Ottoman calligraphy in Turkey. Illuminated copies of Korans, calligraphic compositions as well as firman, or imperial edicts, warrants and patent documents.

EUROPE Sept. 20: "Sculpture in the Light of Photography, 1850-1990." Palais Liechtenstein, Vienna.

ITALY Sept. 20: "Effigies & Ecstasies: Roman Baroque Sculpture and Design in the Age of Bernini." National Gallery of Scotland, Edinburgh.

UNITED STATES Sept. 20: "The Print in Stuart Britain, 1603-1689." The British Museum, London. www.bmsh-museum.ac.uk

UNITED STATES Sept. 20: "Warhol and Beuys: Loans from the Froehlich Collection." Tate Gallery, London. www.tate.org.uk

UNITED STATES Sept. 20: "Bemini and the Birth of Baroque." Gallerie Borghese, Rome.

UNITED STATES Sept. 21: "L'Apparition des Cieux: Astronomie et Astrologie en Terre d'Islande" and "Bassano and His Sons in French Museums." Musée du Louvre, Paris. <http://mislaf.culture.fr/milouvre>

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INTERNATIONAL

EU Offers Experts to Russia, but No Cash Now

By Barry James
International Herald Tribune

BRUSSELS — A high-level delegation from the European Union met Thursday for the first time with members of the new Russian government, proposing to send banking and financial experts to help Moscow stem its economic meltdown, but without offering additional infusions of cash.

EU sources said the talks with Prime Minister Yevgeni Primakov and other Russian leaders would be aimed at refining and refocusing the European Union's 1994 political cooperation agreement with Russia, which provides for wide-ranging technical cooperation.

Hans van den Broek, the European commissioner in charge of relations with Russia, appealed for the new government to appoint a minister to coordinate the political cooperation agreement.

The EU maintains it could become an effective means of helping Moscow overcome the crisis.

EU officials said that sending more cash before Russia carries out essential reforms in its banking, tax collection and financial systems would not solve the problems.

"Why not send top people from German or

Austrian or other European banking circles for a certain period of time, who can show the Russians how to organize banks?" said Foreign Minister Wolfgang Schüssel of Austria, who headed the EU delegation.

Austria holds the revolving presidency of the EU.

Also in the delegation were Klaus Kinkel, the German foreign minister, Joyce Quin, minister of state in the British Foreign Office, and Mr. van den Broek.

"We want to find out how things go in Russia," Mr. Kinkel said. "We want to hear it from the prime minister himself."

He added that reforms could not be imposed from outside but would have to come from the Russians themselves.

Officials in Brussels said the EU did not want to be seen as supporting the Russian bureaucracy or giving the impression that it was helping Moscow regain its old "sphere of influence."

The bulk of EU financial aid to Russia is channeled through the International Monetary Fund and other international organizations.

But since 1991, the EU has sent almost 2 billion

European currency units (\$2.3 billion currently) to

Russia under a program called TACIS, which is designed to help Eastern countries that are not candidates for EU membership.

Much of that aid has been applied to ensuring nuclear safety in Russia, including a program that has provided training and job opportunities for about 20,000 nuclear scientists and engineers.

Officials at the European Commission, the EU's executive body, are studying ways to refocus aid under the TACIS program to help solve the economic crisis.

For example, despite what the commission president, Jacques Santer, called "a great inertia" on the Russian side, Europe is helping Moscow establish a program to combat customs fraud, which costs the Treasury an estimated \$6 billion a year.

Mr. Santer told the European Parliament in Strasbourg that the EU stood ready to mobilize experts on public finances, fiscal reform and debt control to help the new administration.

In addition, it would finance a program to enable 2,000 Russian businessmen and women to work in European companies next year.

Following up on the visit by the foreign affairs officials, the finance minister of Austria, Rudolf Edlinger, is scheduled to go to Moscow next



AP Photo/Kirill Kondratenko
Joyce Quin, British minister of state, and Foreign Minister Wolfgang Schüssel of Austria meeting with Mr. Primakov on Thursday.

week for more detailed talks on the economy.

The Austrian government said Thursday that plans were going ahead for President Boris Yeltsin to visit Vienna on Oct. 27 for talks with Chancellor Viktor Klima, Mr. Santer and other EU leaders.

RUSSIA: Yeltsin Hits a Snag on Cabinet

Continued from Page 1

"I have strong nerves and will not resign," he said.

If he does go, it will be viewed by many as an indication that the new government is moving further from Western-style economic policies that encourage competition and fiscal restraint and toward Communist tenets such as state control of industry.

On the financial front, the deputy head of the central bank said Thursday that the bank intended to bail out many of the nation's bankrupt financial institutions by buying back their multimillion-ruble portfolios of government bonds and treasury bills.

The government temporarily froze \$40 billion worth of bonds when the fiscal crisis erupted last month because it lacked the money to pay investors who held them.

The government had originally pledged to end the freeze and resume redemptions of the bonds.

But Mr. Shokhin said the government should instead begin negotiations with bondholders over a longer-term schedule to repay investors.

A decision to repay banks immediately would give them preferential treatment over other bondholders inside and outside Russia.

Asked by the Reuters news service how the nearly broke government would find the money to pay off the banks, the deputy, Andrei Kozlov, replied: "Emissions, of course, emissions." "Emissions" is a euphemism for printing money.

In the minds of most Western experts, Russia's banks have in large part been woefully mismanaged, acting more like investment banks than the checking-and-savings institutions Russians need.

The central bank statement was not the only suggestion made on Thursday that Russia's government is about to

embark on a serious spending program.

Mr. Yeltsin told his defense advisers to prepare to pay soldiers and other military personnel half of the 16 billion rubles they are owed, or about \$500 million at the day's exchange rate.

[In Washington, Mr. Summers told Congress that Russia had gone through a series of setbacks in August that made it exceptionally difficult for international authorities to decide how to help it. Reuters reported.

[He said steps Russia had taken so far to devalue and restructure its debt were "drastic measures" that needed explaining to its foreign creditors.

[Mr. Summers said that it was "difficult to exaggerate the uncertainties" in trying to shape an international effort to help Russia regain financial stability, because it was unclear the direction that Russian authorities were taking themselves to deal with it.

[He added that Russian economic policy "collapsed" in August when it adopted the "enormously risky course" of simultaneously devaluing the ruble, imposing a moratorium on debt repayment and restructuring bonds.]

The flip side of the concerns is that failure to spend money on such pressing demands as back pay for soldiers will only increase prospects for disorder.

One of the major reasons Russians have diminishing confidence in their government is that it has failed to provide basic services such as pensions, welfare and wages to state employees.

At least some of those payments have gone by the wayside because Mr. Yeltsin's last two governments have refused to print extra money.

The Communist Party is organizing what it promises will be a peaceful mass protest against the Yeltsin government for Oct. 7. But its leaders have said they cannot keep a lid on anger if the government does not begin to respond to citizens' demands.

TRADE: U.S. Faces Asian Wall

Continued from Page 1

The deterioration in July reflected a big jump in the U.S. deficit with Pacific Rim countries.

David Aaron, U.S. under-secretary of commerce for international trade, said Thursday that Asia's crisis had increased the risk of U.S. protectionist measures. Speaking in Bangkok near the end of a two-week export-promotion trip to four Southeast Asian nations, he said markets had to be kept open for countries to recover from the crisis.

"At any time of difficulty there are temptations to protectionism that are as great in my country as in others," Mr. Aaron said.

The collapse of the talks in Seoul raised the possibility of trade sanctions if South Korea does not change its stance by Oct. 19. Under the United States' so-called Super 301 provision, Washington can impose sanctions on nations

deemed to have put up trade barriers to U.S. goods.

Mary Latimer, who heads the team as Korea director for the Office of the U.S. Trade Representative, declined to comment, but representatives of American motor-vehicle companies said that market access had tightened in the year since the talks began.

"There are basically no imports here," said Wayne Chumley, president of Chrysler Korea Sales Co. Chrysler in the first eight months of this year led foreign car companies selling 467 vehicles in South Korea, compared with 1,650 vehicles sold last year.

Ford Motor Co. sold 401 cars in the first eight months, and General Motors Corp. sold none, according to the Korea Automobile Importers and Distributors Association.

South Korean officials indicated they were not sympathetic to U.S. complaints in a period when sales of South

Korean cars on the domestic market have plummeted by 50 percent from last year, and sales abroad are crumbling because of a lack of funds for parts and materials.

Kim Ho Shik, deputy finance minister, said Seoul had no intention of honoring a request to lower its tariffs on

vehicle imports to 4 percent from 8 percent. He said 8 percent was "already low," compared with tariffs of 10 to 12 percent levied by European countries.

Thomas Crampton contributed to this report from Bangkok.

Associated Press

AP Photo/Kittipongchai/Agence France-Presse

David Aaron, left, meeting on Thursday in Bangkok with Paitoon Kaewthong, a Thai commerce official.

AP Photo/Kittipongchai/Agence France-Presse

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AP Photo/Kittipongchai/Agence France-Presse

David Aaron, left, meeting on Thursday in Bangkok

NASDAQ

Thursday's 4 P.M.
The 1,000 most traded National Market securities
in terms of dollar value, updated twice a year.
The Associated Press.

Greenspan

Gloom in Hon

Wessness at a 15-Year Follow-up

to Philip May
19th Dec 1857
LONDON
I am sorry to say that
I have not yet had
a moment to go
and thank you for
your kind and considerate
letter of 18th Dec. I
have not had time
to go to the
Bankruptcy Court to
enquire about the
Bankrupt's property
and I have not
been able to get
any information
about the
Bankrupt's
estate or about
the documents
that you sent
me. I will
try to get
these by early
in the morning
and will write
you again
as soon as
I have done.

Thinking Ahead /Com

Hold the Obituaries

WASHERTON, the
spokesman of the
left wing of the
new market reform
movement, has
done and produced a
most important human document.
It is important not to be deceived by
the basic truth that the world is
going through an economic and
political crisis unlike any before.
It is also important to understand
that some experts, who
work a heretic, do not
work from capitalism but from
a different economic system.
For them derives from the old
thing. Many of them are
surprisingly conservative
and cannot understand
the new forces, there are
such as the political
parties, which we consider
as the future to come.
They are not able to
see the global
changes made
in the world.

CURRENCY

Trust the Hands that Lead.



We have been awarded a rating that ranks us among top international banks and culminates long years of holding on to a customer oriented philosophy. This belief has led us to achieve extremely solid asset quality, and sharpened our expertise in the areas of asset / liability management. Our sound financial position is the result of perseverance and consistency. Today, we have several sizable subsidiaries, affiliates and an extensive network of international branches which puts us in the same standing as some of the best banks in the world.



APARANK

Continued on Pages 20 & 21

FRIDAY, SEPTEMBER 18, 1998

PAGE 15

Greenspan's Warning on Asian Risks Reignites Deflation Debate

By Alan Friedman
International Herald Tribune

ROME — A warning by the Federal Reserve Board chairman, Alan Greenspan, about a wave of "deflationary forces" from Asia's economic crisis triggered a fresh debate Thursday about the vulnerability of industrialized economies in the West as it helped undermine share prices around the world.

On Wednesday, Mr. Greenspan told Congress that the crisis in Asia was far from over, adding, "I would certainly say that in East Asia and increasingly in the rest of the world, deflationary forces are continuing to emerge" and are moving toward the United States.

The word deflation evokes memories of the global economic crisis of the 1930s. Then, as deflation took hold, prices and wages crashed along with the stock market, producing widespread unemployment, bankruptcies and the general suffering that became known as the Great Depression.

Today, as the tidal wave of Asia's financial woes continues to wreak havoc around the world, and as even the leading industrialized nations find themselves unable to stanch the crisis, more and more economists and top officials are warning of the threat of global deflation.

Michael Hartnett, a senior international economist at Merrill Lynch & Co. in New York, said Thursday that "Mr. Greenspan was right to

signal that global deflation is a risk."

Mr. Hartnett called deflation "a vicious word" and said, "If global deflation exists, then the likelihood of a prolonged global slump is there, as in the 1930s."

But other economists, even within Merrill Lynch, disagree with Mr. Hartnett. Indeed, opinions differ greatly as to what is meant by deflation, how great the threat is and what parts of the world it might affect.

A quick survey of prominent economists Thursday found most maintaining that deflation in its pure sense is a dangerous reality only in Japan and in some of the fallen Asian tiger economies — countries that make up around 30 percent of the world economy. This analysis has global implications.

Indeed, the IMF warned Thursday that global growth for 1998 was being revised down to just 2 percent, from the previous official forecast of 3.1 percent.

But at the same time, most economists said that in North America and Europe, which account for about half of the world economy, growth will continue, albeit at a slower rate. They said the problem is not so much a deflationary spiral as a falling inflation rate, which can actually be a positive factor.

Several senior U.S. and European officials dismissed the idea of a whirling derivel of deflation boring down on the developed world. "Even if global growth stays in the 2 percent

range," said a former top U.S. central banker, "the risks of deflation in the classical sense are low."

The same view was offered this week by Tommaso Padoa-Schioppa, a member of the board of the European Central Bank, who dismissed the idea of deflation in European financial markets.

Mr. Hartnett is one of the authors of a recent Merrill Lynch report. It warned that a slowdown in global trade caused by the Asian crisis is pushing commodity prices to record lows, causing corporate profits to shrink, and thus creating a global deflation risk.

"The risks of deflation," he said, "have risen as a result of recent declines in the prices of commodities, goods and assets in Japan, and elsewhere in Asia, while North America is experiencing a weakness in certain prices such as commodities, some manufactured goods and equity prices, and that may be followed by real estate."

The term deflation is so loaded that just days after the Merrill Lynch report, a fellow author — the firm's European economist, Holger Schmidinger, in London — put out a dissenting opinion, "Deflating the Deflation Danger," which noted that "the scary term deflation is often used in a loose fashion."

Mr. Schmidinger, while declining to comment on the apparent contradiction inside Merrill Lynch, said that what the West is experiencing

is not deflation but lower inflation rates.

He and other economists noted that European inflation stands at around a 1.4 percent annual rate, while the latest consumer price index for the United States, released Thursday, showed an annual core rate of 2.5 percent. Only Japan has a documented deflation rate, with consumer prices falling by 0.1 percent and wholesale prices by 0.2 percent.

Carl Weinberg, an economist at High Frequency Economics in New York, stressed that "what we are seeing in Group of Seven industrialized countries is a decrease in oil and other commodity prices relative to everything else, and commodity prices are less than 10 percent of the total cost bundle while wages are two-thirds or more."

Wages, he noted, "are not going down in the United States or in Europe, and to suffer deflation it is not enough for prices to be falling, but also wages."

"While in Japan we definitely have a deflationary spiral," Mr. Weinberg added, "this is not the case worldwide. In Russia, if anything, there is the risk of hyperinflation. In the United States, if we have lower prices accompanied by a slowing of growth. That is deflation, not deflation."

What, then, was Mr. Greenspan trying to say when he mentioned deflationary forces?

"I think what he was saying in Greenspan's was that he thinks the world economy is

going to brake economic growth in the U.S., and now it is just a question of how much," Mr. Weinberg said.

That, indeed, was at least part of the Fed chairman's message Wednesday. Mr. Greenspan said there was evidence in the United States that robust growth was slowing and investors were becoming more nervous about how the global crisis was affecting the domestic financial system.

"I would say that, despite the still very solid American economy as of now, there are really the first signs of erosion at the edges, especially in manufacturing," he told Congress.

In London, Alison Cottrell, senior economist at PaineWebber, argued that the fact that commodity prices are at record lows and corporate profits are slipping does not signal deflation.

"If anything, cheaper commodity prices in the United States and Europe make people spend more," she said.

In Paris, the Paribas economist Paul Mortimer Lee said he did not predict deflation in the United States or Europe. "There will only be a risk of deflation if we get a fully fledged Western banking crisis, and a credit crunch, and then declining activity and consumers cutting back and asset prices falling sharply."

Such a banking crisis in the West, he said, would occur only "if something nasty happens to the Japanese banking system that causes problems in the West, and I am not expecting that."

Gloom in Hong Kong

Joblessness at a 15-Year High and Rising

By Philip Segal
International Herald Tribune

HONG KONG — Deep in recession and saddled with high interest rates, Hong Kong said Thursday that its unemployment rate reached a 15-year high of 5 percent in the quarter from June through August.

The secretary for education and manpower, Joseph Wong, said he saw no imminent relief from a trend that private economists say could raise unemployment to 7.5 percent or higher by next year.

"As Hong Kong is still in the midst of a difficult economic adjustment and consolidation period brought about largely by external economic factors, high unemployment will inevitably remain with us for some time," Mr. Wong said.

Private economists agree. The unemployment rate will

probably hit 6 percent this year and 7.5 percent in 1999, said Clive McDonnell, economist at SG Securities.

Economists have said that a jobless rate of about 6 percent could threaten a big increase in defaults on mortgages. That could threaten the health of some of Hong Kong's banks, which are heavily dependent on mortgage lending.

Underlining the severity of what in parts of Asia has already surpassed the Great Depression of the 1930s in the speed and magnitude of economic contraction, Mr. McDonnell added that "wage growth in the economy will probably remain negative for about six quarters." The normal period for a recession, he said, is one to two quarters.

Part of Hong Kong's troubles can be attributed to rapidly contracting demand and plunging currencies in the rest of Asia. Hong Kong's heavy reliance on retailing, restaurants and hotels means that the decline in tourist traffic from its now-poorer Asian neighbors has eaten into business profits and caused thousands of layoffs.

Mr. Wong drew some hope from the 26.5 percent increase in July tourist arrivals compared with July of last year, although the base for comparison was extremely low. Hong Kong was handed back to China on July 1, 1997, and suffered an immediate slump in tourism.



One of Hong Kong's job-seekers filling out an application form.

The service industries are going to continue to face difficulties," said Kim Sae Bae, Northeast Asia economist at Goldman, Sachs & Co.

"You're unlikely to see a pickup in tourism, given how pretty much the whole region is under recessionary pressures." Slowing demand in

See SLUMP. Page 16

Alcatel Profit Warning Hammers Entire Sector

Telephone Giant Sends Shock Waves Around World

Compiled by Our Staff From Dispatches

PARIS — A profit warning by Alcatel SA, the French maker of telecommunication equipment, sent shock waves through the entire sector Thursday, pulling down the shares of rivals and causing its own stock to fall 38 percent.

Alcatel, the world's fourth-largest telephone equipment maker, warned that its profit would not meet forecasts this year because major European clients were curbing investment and recession in much of Southeast Asia is eroding sales.

The warning caused investors to dump the stock, shaving \$11.1 billion off its market value. Trading in the stock was halted seven times before it closed at 571 francs (\$100), down 356. Its plunge helped pull the CAC 40 index of blue-chip companies on the Paris Bourse down 5.47 percent, to 3,525.26 points.

The profit warning, just as Alcatel was beginning to benefit from a three-year reorganization, stunned investors. It underscored concern that Alcatel, together with rivals such as Ericsson AB and Motorola Inc., would see clients cut spending on telephone equipment around the world this year, not just in Asia.

Telecommunications stocks across Europe and the United States fell, including equipment makers Ericsson, Nokia and Philips N.V. Telephone companies such as Deutsche Telekom AG and France Telecom SA also fell. In U.S. trading, Lucent Technologies Inc. fell \$4.25 to close at \$72.125, Tellabs Inc. lost \$3.50 to \$40.125, and AT&T Corp. was down 81.25 cents to \$57.50.

"This is a major shock," said Patricia d'Ulle, a fund manager at Baci-Alain Gestion in Paris. "If there's one company that one wasn't expecting this kind of bad news from, it's Alcatel."

Many analysts had been recommending that clients buy Alcatel stock, in addition to other telecommunications companies.

Alcatel said analysts' forecasts for income from operations at its core telecommunications division were off the mark by at least 1.5 billion francs. It now expects profit from operations at the unit to rise "at best" 30 percent from the 3.1 billion francs reported for 1997.

That news overshadowed a tenfold jump in first-half net profit, to 15.2 billion francs, buoyed by gains from asset sales.

Alcatel said fresh competition in Europe's \$160 billion telephone market was forcing former state monopolies from Deutsche Telekom to Spain's Telefonica to roll back spending, rather than increasing it. That has compounded the impact of recession in parts of Asia and debt defaults in Russia.

Analysts said the punishment meted out to Alcatel stock also reflected a sudden loss of confidence in a management on which the market had put high hopes for rapid profit growth.

Alcatel's chief executive, Serge Tchuruk, finished a cost-cutting program in June with the sale of part of Alcatel's stake in Alstom SA, an engineering venture with General Electric Co. of Britain.

They also warned that the slump in telecommunications stocks had been exaggerated by the rapid rise in the sector over the last few months.

"Investors have been buying these stocks for fast growth, and they are trading at a big premium," a London-based analyst said. "That means they are extra susceptible to any signs of the jitters."

Indeed, Alcatel's rivals said they did not share its bearishness.

"If Alcatel issues a profit warning, it means that that is how they judge the situation," said Pia Gideon, head of information at Ericsson. "We do not judge the crisis in Asia requires us to issue any information."

But Ericsson's shares fell 17 Swedish kronor (\$2.18) to close at 160. Nokia, another Nordic mobile-phone giant, lost 30 Finnish marks (\$5.80), finishing at 385.

"Investors had expected telecoms shares to be safe havens in times like these," said Michael Krinner, a stock manager at Bank für Handel & Effekten in Zurich.

A spokesman for Alcatel said the company had no comment on the drop in its share price. Mr. Tchuruk, speaking on French television about the profit warning, said, "What counts is the fundamental trend, and that has absolutely not changed for Alcatel."

Alcatel's profit warning came only a week after it completed its \$4.4 billion acquisition of Texas-based DSC Communications. Mr. Tchuruk said Thursday he was still looking to acquire start-up companies or new technologies, rather than branching out on bigger targets.

(Bloomberg, Reuters)

Thinking Ahead / Commentary

Hold the Obituary; Capitalism Is Alive and Well

By Reginald Dale
International Herald Tribune

WASHINGTON — Despite what you may have heard, capitalism is not on its last legs. The free market remains the most efficient and productive system for organizing human economic activities.

It is important not to lose sight of that basic truth as the world struggles through an economic and financial crisis unlike any before — a crisis that some extravagantly claim marks a historic turning point away from capitalism and economic globalization.

That claim derives from muddled thinking. Many of those making it have mistakenly concluded that if a country cannot implement free market policies, there must be something wrong with the policies, not the country. They are confusing globalization with a failure to adjust to it.

To claim globalization caused the current crisis makes about as much sense as it would have done to blame

the Industrial Revolution for train wrecks in the early days of the railroad. Unfortunately, that has not prevented an incipient backlash against "once-size-fits-all," U.S.-style global capitalism.

Exhibit A for those seeking the death sentence on the Western system is Russia. The likelihood that the country's economic and political crisis will propel it back toward state interventionism is said to prove that free market methods have failed in Russia — or that they were never right for it.

Exhibit B is Malaysia, which is trying to insulate itself from global financial markets by means of capital controls. Other evidence includes the apparent inability of free-market remedies prescribed by the International Monetary Fund to save Indonesia and other Asian nations from economic and social disaster.

But these examples show only that the countries concerned are having difficulty introducing free-market policies or that the prescribed policy mix may be wrong.

Private economists agree. The unpopularity of free markets are bad. Despite its much-touted "reforms," such controls can lead inexorably to the economic isolation of a Burma or a North Korea.

Malaysia may win temporary relief with capital controls, but if it does not use the breathing space to adapt its economy to the modern world, it will slide further toward penury and marginalization.

That is not to say there is nothing to be learned. It is clearly much more difficult than originally thought for a country like Russia to move from communism to the free market. And hindsight has revealed that there were major unacknowledged weaknesses in Asian countries that ultimately eroded their ability to cope with financial globalization.

The probably correct lesson many are drawing is that capital markets should not be opened too quickly in countries lacking strong domestic financial institutions and regulatory and prudential controls.

It is increasingly widely accepted that limited, temporary capital controls, though dangerous, may sometimes be desirable. If wrongly ap-

plied, warns John Llewellyn of Lehman Brothers in London, such controls can lead inexorably to the economic isolation of a Burma or a North Korea.

But if financial lessons need to be learned, the current crisis cannot be used to justify an assault on other main aspects of globalization — free trade and the explosion of international communications resulting from advances in information technology.

According to a study by the Organization for Economic Cooperation and Development, in the past 10 years, countries more open to trade and direct investment have grown twice as fast as those less open.

No other system yet devised does a better job of allocating economic resources than free market capitalism.

But the need is not for a new system. It is to find ways of ensuring that all the countries that want to benefit from the free market system are able to do so successfully.

E-mail address:
thinkahead@washpost.com

CURRENCY & INTEREST RATES

Cross Rates

Currency	Per \$	Per £	Per 100 Yen	Per 100 D.F.	Per 100 F.	Per 100 S.F.	Per 100 G.	Per 100 Pounds
Amsterdam	5	6	1.085	1.045	1.025	1.		

THE AMERICAS



Source: Bloomberg, Reuters

U.S. Banks Loosen Up on Business Loans

By Kathleen Day
Washington Post Service

WASHINGTON — U.S. banks are lowering their commercial lending standards to help their competitive positions, despite a growing risk that business borrowers will default on loans, a survey shows.

The trend is causing concern that American banks will be hit by a wave of bad domestic loans over the next 18 months similar to those they faced in the early 1990s, when real-estate developers forced banks to renegotiate billions of dollars in loans or face defaults.

The survey, by the U.S. Office of the Comptroller of the Currency, shows that the banks are lowering credit standards on domestic business loans even as economic worries in the developing world and a rise in U.S. personal bankruptcies have led bankers to tighten lending

to other countries as well as to American consumers.

Projecting risk over the next 12 months, credit risk is expected to further increase in all commercial portfolios, "the report says. "Banks are leaving themselves with fewer options to control the risks associated with commercial lending should the economy falter."

Banking analysts said they were confident that regulators and bankers had learned a lesson eight years ago and would not let lending practices — or loans — deteriorate to the levels of 1990 and 1991.

They noted that regulators now had legal authority to move in sooner than they did then to correct problems at banks before they become severe and that the cash cushion that U.S. law requires banks to keep on hand to absorb losses is much larger than it was a decade ago.

But the analysts said they expected the lowering of credit standards to continue as banks compete for fewer and fewer good customers. Lower credit standards will probably lead to an increase in problem loans, especially if there is a recession, and that could hurt banks' earnings in the months ahead, they said.

The findings come as Congress prepares to vote on legislation that would revamp 65-year-old U.S. banking and securities laws. If passed, the measures would greatly speed deregulation of the industry, a process that has proceeded slowly but steadily over the past 15 years as banks, securities firms and insurers have been allowed to enter into one another's businesses.

The survey also follows several weeks of reports from many of the largest U.S. banks that they will suffer higher-than-expected losses this

year from economic turmoil in other countries. Banking analysts say these losses could be recouped relatively easily if markets rebound but that an increase in problem loans would take much longer to fix. Loans, particularly commercial loans, often make up the bulk of a bank's assets.

Lower lending standards are typical at the end of business cycles, said Pam Martin, spokeswoman for RMA, an organization that monitors credit risk.

"Examiners at 69 percent of the surveyed banks — compared with 59 percent in 1997 — report eased underwriting standards for one or more types of commercial loans," the report said.

The comptroller's office also found that "banks are continuing to tighten their lending standards for most retail loans" but that "home equity products, where eased standards prevailed, are an exception."

Dollar Slips As Stock Fall Bolsters Yen

Compiled by Our Staff From Dispatches

NEW YORK — The dollar fell against the yen Thursday as stock markets around the world tumbled.

Dealers said investors were increasingly worried that the stock market turmoil in Latin America in particular could cause significant damage to the U.S. economy.

Waning speculation that the Group of Seven leading industrial nations would soon act to shore up

FOREIGN EXCHANGE

Latin American currencies sent the region's stock markets tumbling.

The United States does 18 percent of its trade with Latin America, so the region's economic health has a big influence on U.S. growth prospects.

"If the Latin American economy goes, the U.S. will feel the pinch first," said Michael Sciarino, a currency strategist at Bankers Trust New York.

"It doesn't look as if the G-7 is as close to a solution of the turmoil affecting markets as people thought," he added.

The dollar fell to 132.13 yen in 4 P.M. trading from 135.20 yen at the end of trading Wednesday.

The Japanese stock market sank to its lowest level in 12 years Wednesday, and dealers said speculation had increased that Japanese institutions might have to repatriate funds invested abroad to cover losses.

Meanwhile, some U.S. hedge funds are said to be trying to reduce their losses in emerging markets by selling dollars for yen.

"You would think the hedge funds were on the sidelines, but they continue to actively sell the dollar," said Jeff Yu, senior trader at Sanwa Bank in New York.

But the dollar rose against the Deutsche mark as traders sold marks for yen. Such trades often go through the dollar, with traders selling marks to buy dollars, then selling those dollars to buy yen.

The dollar rose to 1.6965 DM 1,6939 DM the day before and to 5,6888 French francs from 5,6805 francs but fell to 1,3915 Swiss francs from 1,3932 francs. The pound rose to \$1.6813 from \$1.6785.

Traders said the dollar received a little support Wednesday from a report that the U.S. trade deficit rose to \$13.9 billion in July, less than many analysts had expected. The June deficit was revised to \$13.6 billion from \$14.2 billion.

(Bridge News, Bloomberg)

MARKETS: Stocks Plunge Around World on Signs of Spreading Recession

Continued from Page 1

In Europe, some markets tumbled more than 5 percent. The Financial Times-Stock Exchange 100 index of British stocks fell 3 percent; the CAC-40 in France plunged 5.5 percent, and the DAX in Germany dropped nearly 5 percent.

In Tokyo, the Nikkei index of 225 stocks fell 2.38 percent, a sign of investor skepticism that the government's latest plan to nationalize the most troubled Japanese banks would lead to economic recovery.

The prospect of a global slowdown was given new credibility Thursday when the managing director of the International Monetary Fund, Michel Camdessus, was quoted in an interview with the Financial Times as saying that the economy was lowering its forecast for global economic growth this year to 2 percent, from 3.1 percent previously. That would be the weakest performance since the recession of 1980 and 1981.

On Monday, President Bill Clinton warned of the risk of recession spreading worldwide and called for coordinated action to stop the threat. But subsequent events have merely underlined the limited tools available. The IMF has less than \$10 billion in conventional lending resources available, but analysts at J.P. Morgan estimate that Brazil alone needs at least \$30 billion a month to service its foreign debt and finance its current account deficit.

Meanwhile, Mr. Greenspan and European central bankers have indicated that they remain reluctant to cut interest rates unless they see more concrete evidence that consumer demand is actually weakening in the United States and Europe.

Analysts said, Some analysts fear that the central bankers' caution could threaten more market turbulence.

"The risk is that they're not being preemptive enough," said Bill O'Neill, international strategist at HSBC Securities in London. The price of eurodollar interest-rate futures currently anticipates a half-point cut in U.S. short-term rates, to 5 percent, by the end of this year.

Mr. O'Neill said that despite Mr. Greenspan's comments this week, the spreading market weakness could prompt the Fed to cut interest rates as early as Sept. 29, when its policy-making Open Market Committee next meets. Although the central bank of Germany has indicated that it is unlikely to follow suit, countries such as Italy, Ireland, Spain and Britain may have room to cut rates.

In the meantime, investors searching for reasons to sell did not have far to look Thursday.

The U.S. trade deficit widened to \$13.9 billion in July from \$13.6 billion in June as exports fell by 1.3 percent, a direct effect of the recession in emerging markets, the Commerce Department reported.

Exports from Germany to Japan fell 11.7 percent in the first half of this year, the German Federal Statistics Office said.

Alcatel, the world's fourth-largest telecommunications company, said profit for 1998 would fall at least 1.5 billion French francs (\$263.6 million) short of analysts' expectations because of reduced equipment purchases by telephone companies in Europe and Southeast Asia.

In Switzerland, the shares of Credit Suisse Group tumbled nearly 9 percent because of fears about the bank's loans to developing countries and to financial institutions, after a move by Westbridge Capital Corp., a U.S. insurer, to file for bankruptcy protection. Credit Suisse said its lending to West-

bridge was minimal, but the damage was already done.

"Any bad news leads to heavy selling," said Hans Kauffmann, chief economist at Bank Julius Baer in Zurich. "Investors are not thinking at all or analyzing at all."

The one silver lining was a continued rush of money into the perceived safety of U.S. Treasury bonds, German Bunds and government papers of other developed countries. That drives interest rates lower, something that should help growth.

The yield on 30-year U.S. Treasuries fell to 5.18 percent from 5.22 percent Wednesday.

SLUMP: Hong Kong's Gloom Deepens

Continued from Page 15

Asia aside, some of Hong Kong's pain has come because of its fixed currency system, which it defends by keeping interest rates high to attract Hong Kong dollar deposits.

Despite massive and unprecedented government buying in the stock market and measures taken this month to try to bring interest rates down or make them less volatile, the stock market here is not far from the level it was at when the government began to intervene, and rates, after falling slightly, have remained volatile.

Given what economists suspect is close to zero inflation — as opposed to the government's official figure of about 5 percent — real interest rates in Hong Kong are probably higher than they have been in more than a decade.

With Hong Kong already in deep recession, Mr. Kim said, the problem the government faces is that people holding apartments and other property as their main store of wealth are continuing to feel poorer, with real estate prices having fallen by about 50 percent in the past year.

"I don't think the full impact of the negative wealth effect has worked through the system yet," he said.

Many economists have condemned the government's attempt to lower interest rates while supporting property prices. Despite the fall in real estate, Hong Kong's apartments and offices are still the world's most expensive.

INTERNATIONAL FUTURES

Sept. 17, 1998

High Low Latest Chg. Optr. High Low Latest Chg. Optr.

Grains

ORANGE JUICE (COTTON)

15,000 lbs. - contracts per lot.

Sept. 18 16,700 16,623 16,623 16,500 15,180

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Oct

Provisions Slash Profit At Lyonnais

Compiled by Our Staff From Dispatches

PARIS — Credit Lyonnais SA, a French state-controlled bank slated for sale to investors, said Thursday that first-half profit fell almost two-thirds as it increased provisions for trading losses and bad debts in Asia and Russia.

The fourth-largest bank in France said first-half profit fell to 226 million francs (\$40 million) from 601 million francs a year earlier, as the bank increased its provisions for risky loans 77 percent, to 5.4 billion francs. Provisions for Russia and Asia accounted for more than 75 percent of the total.

The bank said its risk provision for Asia was 2.6 billion francs and for Russia was 1.6 billion francs.

"The important provisions taken for Russia and Asia have impacted negatively on the pretax profit," the bank said. It gave no forecast for the year.

Credit Lyonnais said it had reduced its exposure to the five most troubled Asian economies — South Korea, Indonesia, Malaysia, the Philippines and Thailand — by 19 percent, to 29 billion francs.

Banking income was little changed at 23.63 billion francs from 23.36 billion francs last year. Total assets rose to 1.505 trillion francs from 1.499 trillion francs.

The government, which owns 82 percent of the bank, is planning to yield control under an agreement with European Union competition authorities. (AFP, Bloomberg)

Big U.S. Booster of Russia Sounds an Alarm

Bloomberg News

MOSCOW — The American Chamber of Commerce, until recently a big Russia-booster, said Thursday it had lost faith in the country's future — a sign that the economy is in deep trouble.

"We believed in the progress of economic reforms," said Scott Blacklin, president of the chamber. "It turns out we were wrong."

Known for its lavish events for expatriates as well as its promotion of U.S. investments in Russia, the chamber now warns that the country will lose billions of dollars in foreign investment. Businesses are slashing local staff after losing faith

in Russia's commitment to economic reforms, Mr. Blacklin said.

Many foreign companies have suffered imports amid confusion over what to charge as the gov-

ernment plans to print more money to pay wages, threatening to push up inflation and further depress the ruble's value, are declining.

The ruble has fallen almost 60 percent since the previous government gave up efforts to keep it

lowered as consumer purchasing power falls because salaries and pensions, which are not indexed to the ruble's value, are declining.

Large multinational companies have seen a 63 percent decline in demand for products and services.

according to a survey of chamber members.

"We feel like we've been hit by a neutron bomb and we've all been irradiated," Mr. Blacklin said.

"We're alive today, but in 30 to 60 days some of us are going to die."

The chamber proposed that the government take measures to reassure foreign investors, including increasing tax collection and simplifying tax policy, fighting corruption, supporting the banking system and ensuring settlement of currency-hedging instruments.

"The main question to the government is, 'Do you want us here?'" Mr. Blacklin said.

German and French Telecoms Get Closer

Bloomberg News

BONN — Deutsche Telekom AG and France Telecom SA, Europe's two biggest phone companies, said Thursday they planned to integrate their phone networks with those of their European partners to fend off competition from international rivals.

The two companies and their partners will invest about 1 billion Deutsche marks (\$389 million) over the next five years to create a network that allows for "seamless" transfer of voice and data communications across 16 countries, Hans Ehner, a Deutsche Telekom spokes-

man, said. The companies expect to complete the program by 2000, subject to regulatory approval.

The plan for a Europe-wide network comes as France Telecom and Deutsche Telekom prepare to buy stakes of 2 percent in each other as part of an effort to strengthen their loose partnership and take on rivals such as British Telecommunications PLC and Telecom Italia SpA.

Europe's former monopolies are jockeying to dominate the rapidly growing \$160 billion phone market, which was fully opened to competition this year.

France Telecom and Deutsche

Telekom's biggest alliance thus far is their unprofitable Global One venture with Sprint Corp. of the United States.

■ Profit Squeeze in Paris

France Telecom's first-half profit fell 15 percent from a year earlier, to 7.6 billion francs (\$1.34 billion), as competition forced it to reduce its rates, Reuters reported.

Revenue rose to 77.9 billion francs from 75.3 billion francs.

The company said the impact of the lower rates had been partly offset by rapid growth in its mobile-phone and Internet businesses.

Bayer to Add Chiron Unit and Sell Agfa Stake

Compiled by Our Staff From Dispatches

LEVERKUSEN, Germany — Bayer AG, the German drug and chemical giant, said Thursday that it planned to buy Chiron Corp.'s diagnostics unit for \$1.1 billion and to sell shares in its Agfa-Gevaert AG film unit.

Bayer said it planned to spin off as much as 75 percent of Agfa in the

second quarter of next year. Agfa may have a market value of \$4 billion, analysts have said.

The Chiron unit makes test kits for hepatitis C and for the virus that causes AIDS. Bayer and Chiron have faced increased competition in the \$19 billion market for medical test kits since the leaders in the field, Roche Holding AG and Abbott Laboratories,

recently grew by acquisitions.

In another transaction, Bayer agreed to take a 50 percent stake in the seeds-treatment business of Gustafson Inc., a U.S. company, for an undisclosed price. The companies said they would form a joint venture to make fungicides and other treatments for agricultural seeds.

(Bloomberg, Reuters)

WORLD STOCK MARKETS

Thursday, Sept. 17

Daily prices in local currencies.

Telekurs

High Low Close Prev.

Amsterdam AEX index 927.55

Previos: 1627.24

ABN-AMRO 35.40

36.30 36.30 36.30 35.95

Aegon 152.20

145.20 152.20 155.50

Ahold 59.50

59.30 59.30 59.30 59.10

ADM Lito 32.20

31.10 31.10 31.10 32.20

ASR Verz. 165.90

165.60 165.60 165.60 165.60

Barclays 25.20

24.50 24.50 24.50 25.20

Bolton West B 25.20

24.50 25.20 25.20 25.20

Buhrle 42.20

41.00 42.20 41.00 42.20

Credit Suisse 107.00

105.00 107.00 107.00 107.00

Deutsche Börse 107.00

105.00 107.00 107.00 107.00

Deutsche Presse 107.00

105.00 107.00 107.00 107.00

Deutsche Telekom 107.00

INTERNATIONAL INVESTING

Airline Stocks Seem a Good Value at This Low Altitude

Washington Post Service
WASHINGTON — Sometimes you don't get the timing exactly right. Six months ago, I wrote enthusiastically about the prospects for airline stocks: "Airlines look like bargains. They seem to provide the best of both worlds — growth stocks at value prices."

Well, readers who procrastinated are in luck. If airlines were bargains then, they are super-bargains now.

Since March 15, Continental Airlines Inc. has fallen 20 percent, Northwest Airlines Corp. is down 51 percent, US Airways Group Inc. is off 25 percent, and UAL Corp., parent of United Airlines Inc., has dropped 21 percent.

One lesson to draw from this debacle is that you can sometimes mitigate the effects of a volatile market by buying stocks slowly. For example, if you had decided to invest \$6,000 in US Airways, it would have made sense to buy

JAMES K. GLASSMAN ON INVESTING

\$1,000 of shares every month for six months. If you had done that, you would have paid an average of \$71 a share, instead of \$76.

But buying slowly is helpful only if the price of a stock is going down. In general, history shows that the longer you are in stocks, the more money you'll make, so you should invest quickly.

A better lesson to draw is that market timing — that is, guessing the short-term movements of stocks — is impossible and that you should simply learn to live with that fact. Your credit should be: Buy good companies at good prices. If the prices get better, then buy some more.

Certainly, the course that airline stock prices have taken in the past six months was utterly unpredictable. Let's use Continental as an example. It is one of three airline stocks recom-

mended in the March column by Glean Engel of Goldman, Sachs & Co., who is considered by many on Wall Street to be the best of the airline analysts. Mr. Engel still recommends it.

The stock was \$62 a share in mid-March and traded for four months within a narrow band before peaking at \$65.63 on July 9. Then, along with the rest of the market, Continental plummeted. It hit a low of \$36.69 last week, but has bounced back and was at \$42.0625 in afternoon trading Thursday.

Why the sharp decline? Continental, like other airline stocks, was simply caught in the market downdraft that began in mid-July, when investors suddenly realized that perhaps they were overpaying for earnings that might not show up, and that the emerging-market situation was a whole lot worse than they had previously believed.

Investors were especially spooked by the prospect of an economic slowdown in the United States, which would, they assumed, hurt airlines — with their fixed costs and high debt — more than many other companies. But Wall Street, as usual, may have overreacted. There is really no bad news coming from the airlines — other than Northwest, which was hurt by a strike. Planes are jammed, cost-cutting has made flying as unpleasant as ever, and airlines, unlike many other U.S. companies, can raise fares without losing business.

A slowdown in the U.S. economy is possible. In the past, airlines have been particularly vulnerable to such cycles, which put some of them (Eastern, Pan Am, etc.) into bankruptcy. But the Merrill Lynch & Co. analysts Candace Browning and Michael Linenberg say all of that has changed. Routes are more secure, with less competition; airlines are not going on buying binges for planes, and balance sheets are more solid.

Modeling their "worst-case scenario," the Merrill Lynch analysts recently wrote clients, "the industry would break even. Frankly, we ourselves were surprised at that outcome." If they are right and the industry does break even in a recession, they wrote, "multiplied for stocks should expand significantly."

In other words, the price-to-earnings ratios for airline stocks will move closer to the average for the market as a whole. Many airlines now trade at ratios that are less than half the level of the Standard & Poor's 500-stock index.

For example, Continental's ratio, based on consensus earnings estimates for 1998, is a mere 7. US Airways has a P/E ratio of 10; Delta Air Lines Inc.'s is 8; AMR's is 8; UAL's, 7, and Northwest's, 7. If these ratios expand merely to between 12 and 15 and earnings remain steady,

stock prices will rise 50 percent to 100 percent.

Why such low P/Es? For years, investors have considered airline stocks to be dogs. "Wall Street," writes Sandi Ward in this week's edition of Barron's, "still views the airline stocks as perennial losers." The thrust of Ms. Ward's piece, like my own of March, is that Wall Street has underestimated the management changes that have altered the long-term picture for airline profits.

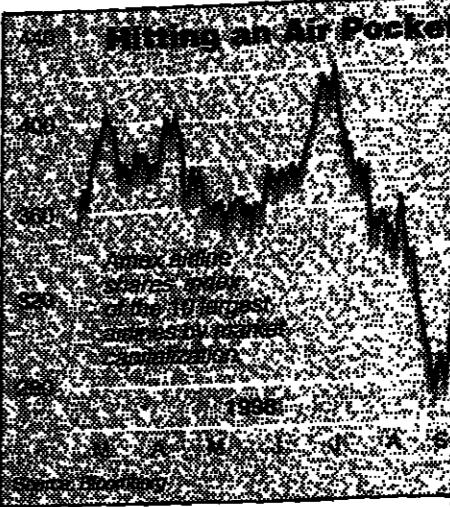
Merrill Lynch's favorite airline stock is Delta, which has a new management team. Delta, like AMR, has dropped only 10 percent since mid-March, when both stocks were recommended by Mr. Engel. But Delta, in contrast to Continental, has been on a roller coaster. It jumped from \$122 in March to \$142 in July and was trading at \$103.625 in afternoon trading Thursday.

The analysts at Merrill Lynch say that AMR is their "second-favorite large-cap name."

Value Line Inc., an investment-rating firm, gives its top rating ("1") to a regional carrier, Alaska Air Group Inc., which trades at a P/E ratio of 8. The research firm gives ratings of "2" to AMR, Continental and Southwest Airlines Co., the short-haul carrier whose price has held up the best of any in the group, rising 26 percent since the beginning of the year and currently trading less than 10 percent from its high.

All the airline stocks have recovered a bit from their big decline in July and August, but they remain beginning, especially in a dangerous market. Research by quantitative analysts at Salomon Brothers recently turned up AMR and UAL as two of just 11 stocks with low price-to-book ratios and price-to-cash-flow ratios and a high rating from the firm.

These stocks, they say, could be good "places to hide" from a wild market. They could be more than that — good companies at good prices for the very long term. But there are no guarantees, gentle reader, that they won't become even better bargains.



Prudential Analysts Say Casinos Are Good Bets

Washington Post Service

Is it time to make a wager on casino stocks? The analysts at Prudential Securities Inc. think so.

Casino shares have been clobbered lately, the analysts say, "creating some compelling values." Over the past year, Steve Wynn's Mirage Resorts Inc., which will open the super-plush Bellagio casino in Las Vegas next month, has fallen 37 percent. Harrah's Entertainment Inc., highly diversified with 16 casinos, is off 60 percent in two years.

The Asian crisis has hurt casino tourism, and the analysts admit that overcapacity and the "possibility of a recession" are "key concerns." Still, at these low prices, they rank as "strong buys" Mirage, Harrah's, Bahamas-based Sun International Hotels Ltd. and Anchor Gaming.

— JAMES K. GLASSMAN

FIDELITY FAR EAST FUND

Société d'Investissement à Capital Variable
 Kasaiis House - Place de l'Europe
 B.P. 2174, L-1021 Luxembourg
 R.C. Luxembourg B 16926

NOTICE OF ADJOURNED EXTRAORDINARY GENERAL MEETING

At the Extraordinary General Meeting of September 1, 1998 did not reach the quorum of 50% required by law, notice is hereby given that an Extraordinary General Meeting of Shareholders of Fidelity Far East Fund SICAV ("the Company") will be held at the registered office of the Company in Luxembourg on October 3, 1998 at 11:00 a.m. to consider the following agenda:

1. To resolve to liquidate the Company.
2. To appoint Fidelity Investments Luxembourg S.A. as the Liquidator and to determine the powers to be granted to the Liquidator and the Liquidation procedure.
3. To fix the date of the second Shareholders' Meeting to hear the Report of the Liquidator and to appoint Coopers and Lybrand, Luxembourg as the Auditors of the Company.
4. To fix the date of the third Shareholders' Meeting to hear the Report of the Auditor and to decide the close of the Liquidation of the Company.

No quorum of shares present or represented at the Meeting is required in order to deliberate validly on the agenda. A decision in favor of Resolution no. 1 of the agenda must be approved by Shareholders holding at least 2/3 of the shares represented at the Meeting.

Subject to the limitations imposed by the Articles of Incorporation of the Company with regard to ownership of shares which constitute in the aggregate more than three percent (3%) of the outstanding shares, each share is entitled to one vote. A Shareholder may act at any Meeting by proxy.

BY ORDER OF THE BOARD OF DIRECTORS
 July 10, 1998

Fidelity Investments

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For information please contact:
 Katy Houri: Fax (33-1) 41 43 92 12 or e-mail: funds@ht.com

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September 17, 1998
<http://www.ht.com/Funds>

Stock Funds Regaining Investors' Favor

Bloomberg News

NEW YORK — Individual investors put about \$4.71 billion into U.S. stock funds in the week that ended Monday, according to an industry report, as the market recorded its most consistent gains since July.

During the same period, the Standard & Poor's 500 stock index rose 5.7 percent, though it remained sharply below its high for the year.

The net inflow into funds followed a week in which investors added about \$2.51 billion to stock funds, according to TrimTabs.com. By contrast, an estimated \$255 million was added to junk-bond funds over the week.

that tracks fund flows.

Investors also added money to non-U.S. stock funds in the past week, for a net inflow of about \$1.18 billion. TrimTabs reported, compared with a net outflow of \$1.24 billion in the previous week.

Most types of bond funds suffered net outflows for the first time in weeks, with investors pulling about \$95 million from municipal bond funds and about \$90 million from government bond funds, according to TrimTabs. By contrast, it reported, an estimated \$255 million was added to junk-bond funds over the week.

Advertisement

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Hitting an Air Pocket

Wary Calm in Bond Markets

Respite From Wild August Doesn't Mean All Is Well

By Gretchen Morgenson
New York Times Service

NEW YORK — The stock market's bear may just be emerging from a short hibernation, but the bond-market species has never rested.

Having endured a hellish August in stocks, investors are seeing a respite in September. But while many stocks have recently recouped some of their losses, bond prices — with the conspicuous exception of U.S. Treasury securities — have barely budged. August, one of the most brutal months on record in almost every bond market around the world, has been followed by a September in which most of these securities, even if they are up, have mustered only the merest of gains.

What happened? Through no fault of their own, investors in a wide variety of bonds, from convertibles to mortgage-backed securities, found themselves trapped in a game of economic dominoes gone awry. The bond-market action in August is a painful lesson in how the toppling of one market can, in turn, hurt even the most seemingly unrelated market worlds away.

The Russian central bank's de facto debt default wound up hurting even the most highly rated bonds issued by U.S. corporations with absolutely no exposure to Russia. The only people who escaped the August disaster were owners of U.S. Treasury securities, which were driven to historic highs in price terms as a result of some of the lowest yields in decades.

The situation in Russia caused an about-face in the level of risk that professional investors were willing to tolerate. As long as the International Monetary Fund was willing to bail out countries experiencing economic disarray, investors were comfortable investing in fledgling markets. Russia changed all that.

"The flight to quality, previously, was out of equities and into bonds, and any bonds qualified," said Martin Fridson, chief high-yield strategist at Merrill Lynch. "Now, that flight is much more pronounced because investors want to go all the way to the ultimate quality of U.S. Treasury securities. Nothing in between seems safe enough."

What did this new risk aversion mean for various bond markets? Big losses. In August, investors in emerging-market debt lost 28.7 percent of their money, convertible bonds lost 11.8 percent, and high-yield bonds lost 7.4 percent of their value. Real estate investment trusts that invest in mortgage securities declined an average 27 percent during the month. Only two non-Treasury sectors showed gains for the period: municipal bonds rose 1.92 percent, and the

highest-rated corporate bonds inched up 0.51 percent. Treasury bonds, meanwhile, advanced 2.16 percent.

Bonds, remember, are supposed to be boring, predictable investments. No more. "We've probably crammed about a year of volatility into the last six weeks in the bond market," said Randall King, senior vice president of asset liability management at PNC Bank in Pittsburgh.

The result of all this volatility has been to bring the issuance of many types of bonds and convertible debt to a near-standstill. For example, only one convertible debt issue came to market in all of August.

Why does upheaval in one distant market make for losses closer to home? T. Anne Cox, director of global convertible bond research at Merrill Lynch, explained: "If investors take a hit in one part of their book, their risk tolerance is going to decline across the board."

"And if everybody does that at roughly the same time, you could see where you'd get some real liquidity pressure."

Hurt the most by the bear market in bonds are hedge funds that made big bets in emerging-market debt and brokerage firms that trade all

"We've probably crammed about a year of volatility into the last six weeks."

manner of bonds for their own accounts. Also taking a hit were commercial banks that trade in the same markets. Adding to the upset, many of these concerns used leverage to make their bets, which magnified their losses.

Another piece of bad luck: These big investors typically hedged against losses in emerging-market debt by selling Treasury securities that they did not own. With prices of Treasury issues roaring as emerging-market debt plunged, the "hedges" were a disaster as investors found themselves on the wrong side of both of their trades.

As a result, word on Wall Street is that most fixed-income departments at trading firms have lost back all they made during the first seven months of the year. These departments usually are big money-makers for brokerage houses. Last year, for example, Merrill Lynch's taxable fixed-income department generated nearly \$1 billion in revenue, 26 percent of the company's overall revenue for principal transactions.

This year, however, bonuses for employees in these areas are a dream; many companies have already conducted what are euphemistically called head-count meetings. Firings will follow.

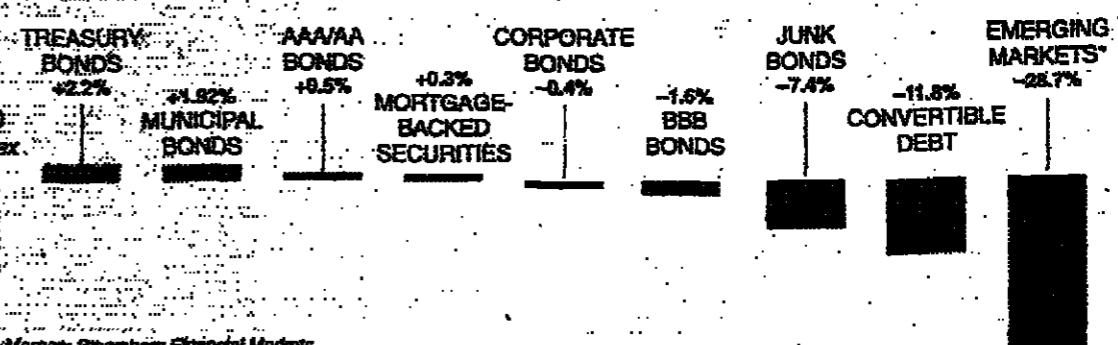
INTERNATIONAL INVESTING

A Month to Forget

Price returns of U.S. indexes for the month of August

in U.S. dollars

Source: Salomon Brothers Survey; J.P. Morgan; Bloomberg Financial Markets



For individuals, the unhappy sequence of events in the bond market is all that much harder to take because the losses came when interest rates were declining significantly. Yields on the five-year Treasury note, for example, fell a full percentage point in late summer. The notes traded at 5.43 percent on July 1 and at 4.43 percent last Friday. On Thursday, they were traded at 4.61 percent.

With rates moving down, investors are understandably confounded by losses in their bond portfolios. Common sense dictates that when interest rates fall, bond prices rise.

But common sense could not have helped predict the confluence of events in the work of professional investors, hedge-fund managers and brokerage trading desks that ran away from anything with a whiff of risk to it — that have paralyzed worldwide bond markets. As the herd stampeded out of junk bonds, convertible debt, emerging-market bonds, even relatively unrisky corporate issues, buyers for these securities disappeared.

Estimating the amounts lost by investors in bonds in August is difficult because of the market's opacity. But some numbers are available: \$48 billion was lost in emerging-market debt that was denominated in dollars, \$1.4 billion disappeared from portfolios of convertible bonds, \$15 billion was probably lost in junk bonds, and \$1.67 billion disappeared from an index of real estate investment trusts that invest in mortgage securities. That's about \$80 billion lost.

Investors who are not yet aware of the recent turn in bonds may get an unpleasant jolt when they check their mutual-fund holdings.

There are plenty of bondholders out there: As of Sept. 9, according to AMG Data Services, assets held in bond funds totaled \$533 billion, roughly one-fifth the amount currently in stock funds.

A paralysis unlike anything investors have seen for years is gripping non-Treasury bond markets in the United States. Investors who think that September's relative calm in the market is a sign of stability should not be confused. It is a frozen market, where nobody is selling because there are no buyers.

Dealers at major Wall Street brokerage firms are no longer bidding for bonds from their customers; they will only take an order if they know they have another customer interested in owning the bonds. Since few investors are interested in adding to their bond positions until they see the market stabilize, most sell orders don't get executed.

As a result, the losses that have been registered

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NOTICE OF ADJOURNED EXTRAORDINARY GENERAL MEETING

As the Extraordinary General Meeting of September 1, 1998 did not reach the quorum of 50% required by law, notice is hereby given that an Extraordinary General Meeting of Shareholders of Fidelity Special Growth Fund S.A.C.V. ("the Company") will be held at the registered office of the Company in Luxembourg on October 5, 1998 at 11:00 a.m. to consider the following agenda:

1. To resolve to liquidate the Company.
2. To appoint Fidelity Investments Luxembourg S.A. as the Liquidator and to determine the powers to be granted to the Liquidator and the liquidation procedure.
3. To fix the date of the second Shareholders' Meeting to hear the Report of the Liquidator and to appoint Coopers and Lybrand, Luxembourg as the Auditors of the Company.
4. To fix the date of the third Shareholders' Meeting to hear the Report of the Auditor and to decide the close of the Liquidation of the Company.

No quorum of shares present or represented at the Meeting is required in order to deliberate validly on the agenda. A decision in favor of Resolution no. 1 of the agenda must be approved by Shareholders holding at least 2/3 of the shares represented at the Meeting.

Subject to the limitations imposed by the Articles of Incorporation of the Company with regard to ownership of shares which constitute in the aggregate more than three percent (3%) of the outstanding shares, each share is entitled to one vote. A Shareholder may act at any Meeting by proxy.

BY ORDER OF THE BOARD OF DIRECTORS
July 10, 1998



Advertisement

For information please contact,

Katy Hour: Fax: (313) 41 43 92 12 or e-mail: funds@ihf.com

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September 17, 1998

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Asia Chill Freezes Deliveries of Jets to China Seoul Takes Steps to Cut Interest Rates

Bloomberg News

BEIJING — China has frozen new aircraft orders and its airlines are delaying some deliveries as a slowing economy and overcapacity crimp demand in what may become the world's largest aviation market.

The ban on orders for the rest of this year and delivery delays could hurt sales in China by Boeing Co. and Airbus Industrie. Both view China as potentially the biggest market for new aircraft outside North America during the next two decades.

Most of China's major airlines reported losses in the first half of the year. Carriers are slashing fares to fill seats even as new aircraft boast capacity.

"We are not approving new orders because we have already got many planes," said Liu Wannong, planning division chief of the Civil Aviation Administration, which coordinates the aviation industry.

At least one analyst said it appeared likely that the ban was related to irritation with Airbus's recent decision to drop plans to

develop a 100-seat jet with Chinese companies. Instead, Airbus has said it will allow Chinese manufacturers to build additional components for airplanes.

"There's much more of a political motive than an economic motive," said Doug McVittie, managing director of Aman Aerospace, a consulting firm based in Scotland. "A couple of major deals with China have fallen through."

Prime Minister Lionel Jospin of France is scheduled to arrive in China on Sept. 24 for a three-day visit.

It would be unusual for him to return home without an aircraft order. In recent years, China has tied all big new orders of aircraft to visits by top-level American or European leaders.

Mr. Liu said the ban would be only for 1998. "For next year, we will see," he said.

Even with heavy discounting and passenger traffic up about 5 percent from 1997, most Chinese airlines are flying with many empty seats. Asian financial woes have also hurt travel to China, leading to losses

among the three main carriers, Air China, China Eastern Airlines and China Southern Airlines.

Boeing recently trimmed its forecasts for orders by China to 1,800 jets over the next 20 years, from 1,900. Most of the reduction will come in the next few years, said Ray Brady, president of Boeing's Chinese operations.

"It's our sense that the next one to three years are going to be very lean for new orders," he said. "We're aware it's not a good time to be selling planes."

Mr. Liu said Chinese airlines would not cancel existing orders, and an Airbus representative said the company had not received any cancellations or delivery deferrals.

In May 1997, during a visit to Beijing by President Jacques Chirac of France, China ordered 10 A321 and 20 A320 jets.

Still, several Chinese carriers are seeking to delay delivery of some of the aircraft, according to Mr. Liu. For now, the delays appear to mainly affect Airbus.

Mr. Brady said Boeing is scheduled to deliver about 50 aircraft to China this year and has yet to be asked for deferrals or delays.

China Eastern, one of the biggest Airbus customers in China, may be the first to announce deferrals.

"We were going to receive 10 A320 next year," said Zhao Yan, an executive in the corporate secretary's office. "But now we've decided to have eight because the market is not so good."

China Northern Airlines, a regional carrier, may also delay plans to accept A321s by up to a year, said an official in the airline's marketing department, who gave his name only as Qi.

China Southern, the Chinese carrier with the largest fleet, also put a hold on a new order.

"In the near term, we don't have any purchasing plans," said an executive in the airline's planning department who gave his name only as Yu. "The market is not good and even next year, we don't expect it to improve."

Agence France-Presse

SEOUL — The central bank lifted strict controls Thursday on money supply and market interest rates to try to revive the country's stalled economy.

The central bank changed its policy and decided to lower market interest rates by purchasing repurchase bonds and money-stabilization bonds, Chun Sung Wook, a Bank of Korea official, said.

Mr. Chun gave no figures but said that the bank's policy change had been aimed at "preventing the economy from plunging further."

From now, the bank will maintain a flexible policy in money supply, he said.

"The decision was based on the theory that our money market is stable enough to cushion policy changes. But we will immediately go back to old policies and raise the interest rates if the market is deemed unstable."

Central bank policymakers agreed that South Korea needed stimulus measures to bolster plummeting domestic consumption and exports, he said.

South Korea is campaigning to win approval from the International Monetary Fund for a range of pumping measures to lift the country out of its worst recession in three decades.

The central bank also predicted inflation would be about 9 percent this year. Public concerns about rising prices are growing.

Inflation, which rose to 6.6 percent in 1997, is officially projected to hit 8 percent in 1998 and 5 percent in 1999, but analysts said it would be closer to 10 percent this year.

Consumer price rises have been heavily affected by the fall in the local currency, the won, which has lost more than 30 percent of its value against the dollar since the crisis hit last year.

Government revenue also has been hit hard by the crisis. Income and corporate tax revenues have plummeted as companies have been hit by declining sales and exports as well as by rising financing costs.

On Thursday, the government lifted the price of gasoline by 11.5 percent and the price of diesel by 13 percent to try to increase tax revenue.

The fuel rises came into effect after midnight and followed the government's decision to increase a transport tax.

Malaysia Banks Agree to Merge

Bloomberg News

KUALA LUMPUR — Commerce Asset Holdings Bhd., one of the largest banks in Malaysia, said Thursday it was merging with a troubled state-owned bank, Bank Bumiputra Malaysia Bhd.

The move comes as Malaysia scrambles to patch up its troubled banking industry, an effort that the central bank estimates will cost as much as \$1 billion (Ringgit \$10.8 billion).

The central bank has been prodding banks for more than a year to merge, with limited success.

Commerce Asset and Bank Bumiputra did not immediately provide details of their plan.

Commerce Asset, which controls the sixth-largest bank in Malaysia, is partly controlled by Renong Bhd., formerly owned by the governing political party, the United Malays National Organization.

On March 3, the central bank said Bank Bumiputra might need an injection of \$750 million ringgit to offset a rise in bad loans. Since then, problems at banks are estimated to have increased amid high interest rates and ballooning bad debts.

Management has exhausted all efforts to keep the company operational," PAL said. "Unfortunately, the insurmountable burden of continued losses has become too heavy for the company to bear."

Years of labor turbulence, including a breakdown in an agreement with its largest union this week, led to the decision to close the airline.

PAL trimmed its staff to 8,000 from 13,000 after the pilots' walkout.

Last week, seeking to prevent collapse, the airline made its final offer — 20 percent equity to employees, equal to three board seats, in exchange for a 10-year suspension of collective bargaining agreements.

would lower their demands.

But the government — itself under a severe financial crunch and facing a budget deficit of 40 billion pesos (\$913.9 million) by the end of the year — ruled out any bailout of the carrier.

"We will not open the coffers of government, especially at a time of economic hardship," Jerry Barican, a presidential spokesman, said.

The airline started up in 1941 with one plane carrying a full load of five passengers on a 200-kilometer (125-mile) flight from Manila north to Baguio.

The airline has been hammered by the yearlong Asian currency crisis and was finally brought to its knees in June, after its 600 pilots went on a 22-day strike.

At the time the airline had a fleet of 54 aircraft, flying to 36 domestic destinations and 28 foreign cities.

PAL trimmed its staff to 8,000 from 13,000 after the pilots' walkout.

Last week, seeking to prevent collapse, the airline made its final offer — 20 percent equity to employees, equal to three board seats, in exchange for a 10-year suspension of collective bargaining agreements.

The unions spurned the offer, saying it would mean surrendering their rights.

The airline, whose majority stake is owned by Lucio Tan with the government holding 23 percent, has been bleeding financially for at least the past five years.

PAL's losses quadrupled to 2.2 billion pesos in the April-June quarter as the pilots' strike sapped revenue and financing charges soared. That followed a record loss of 8.08 billion pesos in the year to March 31.

The closure of the country's largest airline could hamper travel to and throughout the archipelago's 7,000 islands. United Airlines of the United States stopped serving Manila last year.

The PAL shutdown also could add to the strains on the country's financial system, which has already seen bad loans rise since the start of the Asian economic crisis. More than half of the carrier's liabilities are in the form of airplane lease agreements. Besides those agreements, PAL's biggest creditors are foreign banks that lent the airline money to purchase or lease new planes as part of a short-lived expansion.

(Reuters, Bloomberg)

Philippine Air Says It Will Close

Manila Calls Emergency Meeting to Try to Keep Carrier Flying

Compiled by Our Staff From Dispatches

MANILA — Philippine Airlines, ravaged by labor conflicts and citing "enormous losses," announced Thursday that it was shutting down after 57 years of operation, grounding Asia's first national flag carrier.

But President Joseph Estrada of the Philippines immediately called an emergency meeting with the airline's management and unionists in a bid to persuade Asia's oldest national airline to keep flying, warning that its closure would further damage the ailing economy.

The airline said it planned to cease operations at midnight Wednesday.

"Management has exhausted all efforts to keep the company operational," PAL said. "Unfortunately, the insurmountable burden of continued losses has become too heavy for the company to bear."

Years of labor turbulence, including a breakdown in an agreement with its largest union this week, led to the decision to close the airline.

Ronaldo Zamora, Mr. Estrada's executive secretary, said there was still a "small window of opportunity" to save PAL if the unions

would lower their demands.

But the government — itself under a severe financial crunch and facing a budget deficit of 40 billion pesos (\$913.9 million) by the end of the year — ruled out any bailout of the carrier.

"We will not open the coffers of government, especially at a time of economic hardship," Jerry Barican, a presidential spokesman, said.

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Herald Tribune

International Herald Tribune

STUMBLING IN HER DELICATE SATIN SLIPPERS AND ALMOST TRIPPING ON THE

hem of her diaphanous gown, the young bride fought back tears of irritation. Much as she abhorred the idea of a row with her new husband on only their second day of wedded bliss, she could not imagine why he was insisting she made her way to the moonlit Raffles' poolside in full evening regalia. 'Are you sure the restaurant's this way, darling?' she ventured through gritted teeth, all too aware of her husband's famously poor sense of direction. 'Only I'm not really dressed for one of your short cuts.' It was then that the tears began to flow in earnest. For there at the poolside, bathed in a soft candlelit glow, was an exquisite table à deux perfectly framed by its leafy gleamed in the starlight, a in its frosty bucket and a stage on the starched white linen



romantic setting. Silverware bottle of champagne chilled single red rose took centre tablecloth. Fortunately, the Food and Beverage Manager, whose collaboration in this surprise had been essential, was personally on hand with a freshly laundered handkerchief.

Raffles Hotel, 1 Beach Road, Singapore 189673, Tel: (65) 337 1886 Fax: (65) 339-7650. E-mail: raffles@pacific.net.sg

A RAFFLES INTERNATIONAL HOTEL

FRIDAY, SEPTEMBER 18, 1998

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WORLD ROUNDUP

Tyson Warming Up

BOXING The former world heavyweight champion Mike Tyson, who is scheduled to appear before the Nevada Athletic Commission on Saturday in an effort to regain his boxing license, has been meeting with a Denver psychotherapist for the past week to prepare for the encounter.

The Rocky Mountain News reported that Tyson has been undergoing a psychological evaluation by Carlos Fontanez, whose report on Tyson's mental state will be used to help the former heavyweight champ lobby for reinstatement.

Tyson had his license revoked by the five-member Nevada commission last year. The commission acted after Tyson bit the ears of the reigning champion, Evander Holyfield, in their title fight on June 28, 1997.

Marc Ratner, executive director of the Nevada regulatory board, said he was aware of Tyson's trip to Denver and speculated that he was "probably looking for the best psychologist in the country." (AP)

Bugno Captures Stage

CYCLING Gianni Bugno of Italy and the Mapei team won the 12th leg of the Tour of Spain on Thursday, needing 4 hours, 26 minutes and 4 seconds to pedal the 187-kilometer (116-mile) run in northern Spain that ended in a steep climb up the Canfranc mountain pass.

The stage did little to alter the overall standings, with Abraham Olano of Spain still leading the 22-stage race on the strength of his time-trial win in the 9th leg. (AP)

Mantilla Advances

TENNIS The defending champion and No. 3 seed, Felix Mantilla, charged to a 7-5, 6-2 victory over a fellow Spaniard, Jordi Burillo, on Thursday to gain the quarterfinals of the Samsung Open in Bournemouth, England. In another second-round match at the tournament, Alberto Costa of Spain stopped Dennis Van Scheppingen of the Netherlands, 6-3, 6-2. (AP)

Grandly, Sosa Blasts 63d to Tie McGwire

Bases-Loaded Shot Lifts Cubs Over Padres

By Ed Guzman
New York Times Service

SAN DIEGO — Sammy Sosa was relaxed enough to hit his 63rd home run. It was simply a matter of when.

After singling and doubling in his first four at-bats Wednesday night, the Chicago Cubs' right fielder stood at the on-deck circle in the top of the eighth inning holding his personalized black Louisville Slugger bat.

He made a sign of the cross, put his fingers to his lips and then touched his bat.

With that bit of divine help, Sosa came to the plate with the bases loaded and two out. With the Qualcomm Stadium crowd of 49,891 on its feet, Sosa drove a 1-0 pitch from a San Diego right-hander, Brian Boehringer, high and deep into the second deck left field, a 434-foot (132-meter) blast that tied Mark McGwire for most home runs in a season and gave the Cubs a 6-2 lead.

True, they excited the 40,928 fans, who rose almost in unison as McGwire struck the ball and uttered "Oooohhh!" in anticipation.

But that was all the theater they could muster out of McGwire. He went 0 for 4, with one base on balls, in the Cardinals' 4-0 victory.

He walked in the first inning off the left-hander Chris Peters, who was roundly boozed for depriving the fans of possibly another McGwire clout. The slugger struck out in the third on a called third strike and stood at the plate staring down in the batter's box, clearly unhappy with the plate umpire, Randy Marsh.

McGwire hit his 63rd home run the night before in the first game of a doubleheader. He failed to connect for a homer in the second game.

Sosa's third career grand slam — all this season — was his 22d career homer against the Padres, the most against any opponent. He was 1 for 9 with six strikeouts in the first two games of the four-game series.

McGwire and Sosa each have nine games left in the season.

Sosa was so loose before the game that after a soho from the news media finished asking questions, he sheepishly said: "Don't leave. Does anyone have

any more questions? I've got time for everyone."

A reporter then asked Sosa if he had any questions for the members of the news media.

After pausing for a minute, he said: "What did Mark McGwire do today? Did he hit 64?"

Ira Berkow of *The New York Times* reported earlier from St. Louis:

If height were distance, McGwire would have had two more home runs Wednesday night in Busch Stadium to add to his total of 63 for the season so far.

Instead, his sky-high flyout to center field in the seventh inning and his space shot in the seventh inning, which seemed to have aged the Pittsburgh left-fielder, Turner Ward, by about three weeks as he waited for the ball to descend, were simply outs.

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Mike Blake/Reuters
Sammy Sosa watching his 63d home run, a grand slam, leave the park.

Sosa Deflates Charge of Bias In Treatment Of His Feats

By Murray Chass
New York Times Service

NEW YORK — The suggestion has not reached the proportions of a national debate, but talk about it has become part of the home run race that has commanded the United States' attention: Major League Baseball has slighted Sammy Sosa in its treatment of him and Mark McGwire, and race is the reason. Baseball officials and Sosa's agent flatly rejected both notions Wednesday. "Sammy doesn't perceive it that way, and neither do we," Tom Reich, the agent, said, speaking for himself and his partner, Adam Katz. "The attention that has been given to Sammy has been tremendous."

McGwire was singled out the night he hit his 62d home run, baseball officials said, because that was the home run that broke Roger Maris's record, and they had centered the initial stage of their involvement on that achievement. Had Sosa hit his 62d before McGwire, the officials said, Commissioner Bud Selig would have given him the award he gave McGwire.

"There was a huge media crush and we had to set something up for that," Selig said. "McGwire broke Maris's record. Sammy has tied the new record."

Selig gave McGwire the first Commissioner's Historic Achievement Award after the Sept. 8 game in St. Louis, and he said he would give the same award to Sosa, a native of the Dominican Republic, on Sunday in Chicago as part of the Cubs' ceremony honoring their right fielder.

Both players, Selig added, would be honored during the World Series, no matter who wins the race.

McGwire and Sosa were tied at 63 home runs after games Wednesday night. Sosa has led McGwire only once, for two and two-thirds innings during the game between their teams Aug. 18. Selig said he had received some calls from fans who said they thought Sosa had been slighted. But, he said by telephone from Milwaukee, "I explained it to them and they were satisfied."

Charges that the two players have been treated unevenly have come from fans and sports columnists. Rich Levin, the executive director of baseball's public relations department, said that any suggestion that race influenced the treatment was an insult. "It's absolutely preposterous," he said.

Reich, who was with Sosa in San Diego where the slugger hit his 63d home run on Wednesday, also scoffed at the charge. "We reject that completely," he said.

Reich said Sosa and his representatives felt so positive about baseball's treatment of Sosa that Reich expressed that feeling in a letter Wednesday to Paul Beeston, the chief operating officer for Major League Baseball.

"It is obvious," Reich wrote, "that much of the media has chosen to make a significant issue out of possible unequal attention to Mark McGwire at the expense of the spectacular young Sammy. As you will see and hear, Sammy Sosa and Reich/Katz reject this notion out of hand."

Reich went on to write that they were "very appreciative of the consideration and respect" shown by "all of the components of major-league baseball."

Boldon Misses Record but Wins Gold

The Associated Press

KUALA LUMPUR — Ato Boldon missed the world record but still celebrated in style as he ran 9.88 seconds on Thursday to win the Commonwealth Games 100-meters gold medal.

The Trinidadian sprinter, who had said he felt capable of beating Donovan Bailey's 9.84, threw his arms wide as he broke Linford Christie's Games mark of 9.91, set four years ago at Victoria, British Columbia.

Boldon, who has twice run 9.86 this season, ran to collect the flag of Trinidad from one of his fans and did a lap of honor with 37,000 spectators in the 100,000-capacity National Stadium cheering him wildly.

The medals went as expected, with Boldon's big rival, Frankie Fredericks of Namibia, second in 9.96 and Obadele Thompson of Barbados, who

ran 9.87 at altitude in Johannesburg on Friday, third in 10.00.

While Boldon ran consistently throughout the race, Fredericks started slowly and needed a powerful surge at

COMMONWEALTH GAMES

midrace to get back into contention. But Boldon always looked the winner and there was daylight between the two sprint superstars at the line.

Boldon said that he had been disappointed with his performance during the recent European season, but that he had been confident of success in Kuala Lumpur because of solid training.

■ Another Victory for O'Neill

Susie O'Neill of Australia became the most prolific gold medal winner in Commonwealth Games swimming history Thursday, doing it in style with

the second fastest women's 200-meter butterfly race of all time.

O'Neill, the Olympic and world champion in the event, defeated Petria Thomas, her compatriot, to claim her 10th gold medal in her third Commonwealth Games.

O'Neill's 2:06.60 crushed her own Commonwealth record of 2:07.29, which she set in 1993, and was second only to the 2:05.96 scored by Mary Meagher of the United States in 1981.

O'Neill finished the competition with six golds and two silver medals.

Australia finished the swimming competition with 23 golds, two medals away from its record set in 1994, while England had five and Canada four.

O'Neill's gold tally surpassed that of Mike Wenden, a fellow Australian who scored nine, and equaled Graham Smith of Canada's record total for a single games of six in 1978.

SCOREBOARD

BASEBALL

MAJOR LEAGUE STANDINGS

AMERICAN LEAGUE		CENTRAL DIVISION		WEST DIVISION	
W	L	Pct.	W	L	Pct.
104	46	.671	—	—	—
82	65	.567	17	15	.533
82	65	.567	17	15	.533
77	74	.510	27	27	.500
60	90	.400	44	51	.400

NATIONAL LEAGUE		CENTRAL DIVISION		WEST DIVISION	
W	L	W	L	W	L
98	55	44	13	13	13
98	55	44	13	13	13
70	67	44	27	27	27
50	103	22	48	48	48

CENTRAL DIVISION

97 57 630 —

86 67 562 107

82 70 558 127

70 61 471 24

70 63 458 24

68 82 447 26

55 58 421 17

61 71 533 12

61 73 510 17

61 75 446

CRICKET

PAKISTAN VS. INDIA

WEDNESDAY IN CASABLANCA, MOROCCO

India 257 for five wickets

bright
ly Meet
in Aide
by Billings
ills on 10/1

Brondby and Lens Show Their Mettle

By Peter Berlin
International Herald Tribune

LENES, France — The opening round of matches in the Champions League provided an evening rich in both irony and action.

The first 12 matches in league play in Europe's top club competition Wednesday provided 30 goals and four red cards. Four teams scored in the dying

CHAMPIONS LEAGUE

seconds to turn defeat into a draw or a draw into victory, and several unflashy clubs tripped up self-elected members of the proposed Super League.

With characteristic timing, Media Partners, a Milan-based consulting firm that is trying to set up a breakaway Super League, chose Thursday to make a presentation to Italy's club presidents. It said it planned to replace the three cups run by UEFA, the governing body of European soccer, with a midweek League of 36 teams and a cup with 96 clubs from 51 countries, starting in 2000-2001.

Eighteen of the 36 league members would be invited and guaranteed places in the first three years of the competition, regardless of their performance in domestic leagues.

Under pressure, UEFA has fiddled with its top competition in recent years. And on Wednesday the Champions League began in yet another new format, but one that already appears outdated.

Meanwhile, the smaller clubs did their part in the evening's matches. Brondby, the champion of Denmark, beat Bayern Munich, and Lens, the French champion, scored in the time added by the referee for second-half injuries to hold Arsenal of London, 1-1.

It would be nice to think that there was an element of justice in Wednesday's scores, but sporting justice is far simpler and harsher. Arsenal and Bayern lagged not because they were big and rich and deserved a black eye, but because they failed to take their scoring chances.

In Lens, Marc Overmars gave Arsenal the lead after 51 minutes with a crisp finish, following a delightfully constructed counterattack. Lens leveled in the 93rd minute when the ball struck Martin Keown, the Arsenal defender, but the Arsenal goalmouth and ricocheted across the line.

Arsenal could have won the game comfortably in the second half if Overmars and Nicolas Anelka, its two best strikers, had taken their chances. Four times, Anelka raced into the Lens penalty area with only the goalkeeper, Guillaume Warmuz, ahead of him. Four times, through indecision or inaccuracy, he wasted the opportunity.

Overmars' misses were of a different type. After scoring, he hit the crossbar with a powerful shot after a clever dribble. In the 56th minute, after another good run, he slid his shot past Warmuz, but the ball struck the goalpost and bounced across the face of the goal and away. At that moment, the scales of justice tipped a little toward Lens.

Dennis Bergkamp, the English player of the year last season, played as if in a coma. He has clearly not recovered yet from last season's exertions. His exhausted form is hardly an advertisement for the extra burden the Super League would place on players.

If the bullying tactics of wealthy clubs, among whom Bayern Munich is a leader, yield a Super League, then the thuggish Carsten Jancker, a Bayern forward who enjoys throwing his weight around, should be its poster boy. In Brondby, Bayern missed a series of chances, and the graceless Jancker was the chief offender. Markus Babbel eventually scored for Bayern, but Brondby made the most of Bayern's misses, scoring in the 88th and 90th minutes. The second goal came from a spectacular shot by Allan Ravn Jensen.

The victory means that Brondby leads Group D, ahead of three teams which would all gain automatic entry to Media Partners' proposed league.

At the other Group D match, Manchester United and Barcelona drew, 3-3. The fans of United, which qualified as runner up in the English Premier League, got into the spirit of the new Europe with an obscene chant to the effect that "We're here because we've won nothing."

Ryan Giggs and Paul Scholes scored for United in the first half. But Barcelona retains its endearing commitment to the idea that the way to win soccer games is to attack. Sonny Anderson scored with a rasping drive in the second half, followed by Giovanni on a penalty kick. But David Beckham put United ahead again with a swerving free kick.

Finally, after Nicky Butt stopped a goalbound shot with his hand to earn a red card, Luis Enrique equalized with the penalty kick.

Juventus, a cup finalis for the past three seasons, drew 2-2 with Galatasaray in Turin in Group B. Filippo Inzaghi gave Juventus the lead with an overhead kick in the 17th minute, but Juve's goalkeeper, Angelo Peruzzi, was sent off in the 37th minute after handling the ball outside his penalty area to stop a breakaway by Hakan Sukur.

Sukur slid the ball past Michelangelo Rampulla, the substitute goalkeeper, in the 42nd minute, and Umit Davalı gave the Turkish champion the lead after 63 minutes. The defender Alessandro Birindelli saved Juventus with a goal five minutes later.



Dwight Yorke of Manchester United leaping to attempt a shot on goal against Barcelona. The teams drew, 3-3.

Army Likes Color of Conference Cash

By Joe Drapkin
New York Times Service

WEST POINT, New York — It has played football for 108 years, 1,011 games in all against teams from across the nation. It maintains a narrow edge over Navy in one of the oldest and most resonant rivalries in college sports. But the history of Army football takes a modern turn Saturday when a pair of teams without a victory square off at Michie Stadium.

When Army (0-1) faces Cincinnati (0-2) here, the Black Knights will turn the page on more than a century as an independent to compete in their first game as the newest member of Conference USA.

It is the beginning of an era when new rivals such as Southern Mississippi and postseason games like the Liberty Bowl will become part of Army lore along with Glenn Davis and the Commander-in-Chief's Trophy. In the view of Army athletic officials, it is vital to remaining in the mainstream of big-time college football.

"This shows our commitment to playing Division I-A football," said Al Vanderbilt, athletic director at Army. "We were playing a couple of Division I-AA schools and getting criticized for it. Other schools were using it to recruit against us. This makes us more competitive,"

driving factor in this climate of change is television money. The Big Ten commissioner, James Delany, estimates the annual market for college football TV rights at \$300 million and growing.

In the new Bowl Championship Series, which the ABC network will telecast, the title game will be worth \$11 million to \$12 million per team.

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Army is not alone in trying to reposition itself in an increasingly competitive race for television dollars and bowl payoffs. Last May, the presidents of eight Western universities, including Air Force, stunned the college athletic community when they announced that they were leaving the Western Athletic Conference to form their own league.

Even Notre Dame, the only major power among the eight remaining Division I-A independents, has its own five-year, \$45 million television contract with the NBC television network. It is talking to Big Ten officials about joining the conference to ensure economic health and stability.

Just as in professional sports, the

conference — dedicated to making it network and cable-ready.

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In addition, the Humanitarian Bowl in Boise, Idaho, will hold a place for another Conference USA team, worth an additional \$750,000 to each team. The conference's deal with the Fox sports network pays dividends in exposure — five Army games are scheduled to be televised this season, and the number could reach nine. Last year, three Army games were televised, including the Navy game.

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POSTCARD

Salute to Tastelessness

By Neil Strauss
New York Times Service

LOS ANGELES — What is happening in music today? MTV certainly doesn't know. That's why it has been replacing program directors and staff every few months. Recently, the channel told the thrash-rock band Korn not to bother making any videos for its new album. But last month, when Korn had a hit on the radio and it became clear that the band's album was going to be No. 1 on the pop charts, MTV called back. It wanted a video after all.

MTV is not alone in its confusion. Music television, commercial radio stations and mainstream magazine covers have become reliant on market research, primarily because ratings and circulation are so important to their advertisers. As a result, the era of the individual with an ear to the ground — a disk jockey or magazine whose role is to find good artists — is over. The mall rules. One result is events like the MTV Video Music Awards, a salute last week to tastelessness.

The big winners were Aerosmith, the Beastie Boys, Will Smith and Madonna. Rewind 10 years, and the winners could have been the same.

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Two things are happening: Music is in a lull and to fill the gap, it's back to '80s. "The Wedding Singer" may have catered to the growing market for '80s nostalgia, but the Video Music Awards were the decade's coming out party.

Consider the finale featuring the former Stray Cat Brian Setzer, Beck in a muscle shirt as he breakdanced onstage, the return of New Kids on the Block in the form of the Backstreet Boys and the predom-

inance of old-school hip-hop scratching through the night.

Perhaps the most atypical performance at the ceremony was by Master P, the Louisiana entrepreneur resurrecting gangsta rap on his No Limit label. Recently, Master P has become an MTV fixture not because the cable channel likes something about his music, but because it has been forced to bow to his phenomenal record sales.

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The most powerful arbiter of musical taste in the '90s is not MTV or radio, but SoundScan, the upscale New York company that every Wednesday releases regional and national statistics on exactly how many records are being sold by various acts and genres. These reports are scrupulously pored over by executives at MTV, record labels and radio stations. They are analyzing the water but ignoring the wave, and a result is a rerun culture, where today's pop music is doomed to repeat yesterday's successes.

Over the years, MTV and its sister station VH1 have lost their faith in the music video. They don't like to show videos alone and if you factor in the heavy hand of MTV censors, it doesn't add up to much respect for video as art form.

What the awards show has been about is mixing a bunch of celebrities in a room and waiting to see what shenanigans arise. This year, there were hardly any, a definite reflection of the current stasis in American pop culture.

Like the movie "Godzilla," the awards show became an event because it kept saying it was, with MTV promoting the show literally 24 hours a day. And like "Godzilla," the marketing was more exciting than the product.

By David Stevens
International Herald Tribune

LEIPZIG — "Leipzig kommt," is the entire text of a poster scattered around the historic inner city, and despite the economic woes of the former East Germany, the proliferation of scaffolding and giant cranes is physical evidence that Leipzig is indeed coming back from a rough half-century.

The city, famous for centuries for its trade fairs, opened a new exhibition complex on the outskirts a couple of years ago, and recently converted large parts of its vast railroad station into a multilayered shopping mall.

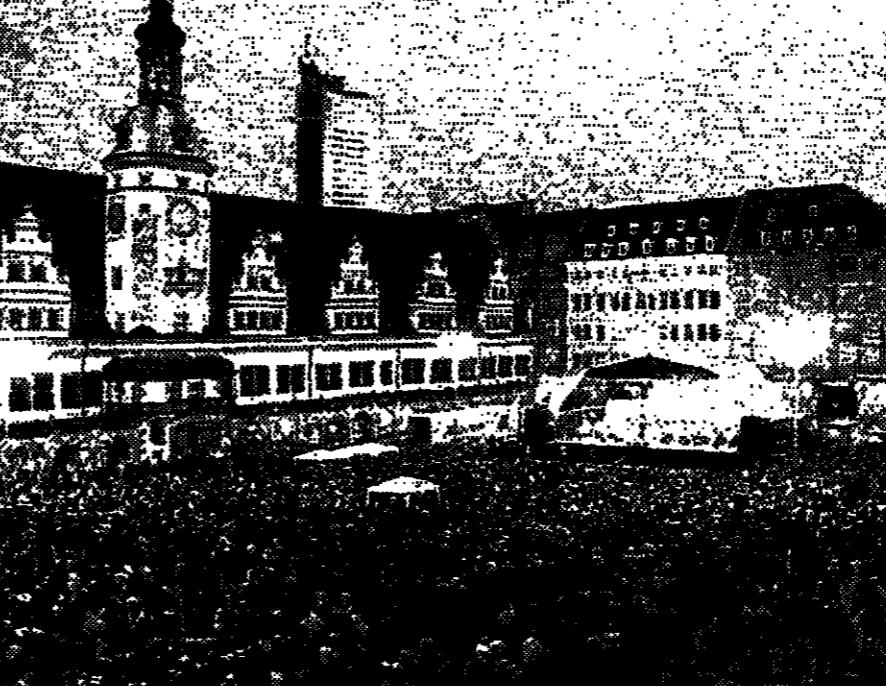
But commerce and culture historically go hand-in-hand here. How could it be otherwise? The Thomaskirche, where Johann Sebastian Bach was for 27 years the cantor and the city's de facto music director, is about three minutes on foot from Auerbachs Keller, immortalized in Goethe's "Faust."

So another sign that Leipzig is recharging its batteries is that the celebrated Gewandhaus Orchestra, which reckons itself to be 255 years old, has just ceremonially installed Herbert Blomstedt as the 18th *Gewandhauskapellmeister* — the latest in a line that has included Felix Mendelssohn and, in this century, Arthur Nikisch, Wilhelm Furtwängler and Bruno Walter.

Blomstedt received his contract in a speech and music-studded ceremony in the 16th-century old town hall, followed in the evening by an outdoor concert that packed the adjacent Marktplatz. A gala concert in the orchestra's hall feature organ works by Bach and Mendelssohn, Bruckner's Third Symphony in its expansive original version, and heartfelt speech by Yehudi Menuhin — Lord Menuhin now — who made his Gewandhaus debut in 1930 as a 14-year-old violinist.

Blomstedt's immediate predecessor was Kurt Masur, who took over the orchestra in 1970, and in October 1989 achieved non-musical prominence as one of the leading mediators of the nonviolent transition from Communism to post-Communist reality. But in 1991, Masur accepted the musical directorship of the New York Philharmonic, although he kept the Leipzig post until two years ago. Nonetheless, the Gewandhaus has been at least semi-orphaned for seven years.

At 71, the same age as Masur, the Swedish Blomstedt may not seem an ob-



The outdoor concert marking the arrival of Herbert Blomstedt in Leipzig.

vious candidate for a rejuvenation project. But he comes with a proven record as an orchestra builder as well as a first-hand knowledge of musical life in this part of the world. In 1975, he began a decade as music director of the Dresden Staatskapelle, then put in 10 years with the San Francisco Symphony, where it is generally agreed he rigorously fine-tuned the Bay City ensemble before turning it over to Michael Tilson Thomas and moving on to the North German Radio Orchestra in Hamburg.

"I don't hesitate," Blomstedt said about his reaction to the Leipzig offer of a five-year contract. "You just don't say no to a place like the Gewandhaus."

Indeed, Blomstedt, a devout Seventh Adventist — born in Springfield, Massachusetts, where his father was for a while an Adventist missionary — tends to speak of his new position more in terms of a sacred calling. He did not just take a job, he was called.

Although Dresden and Leipzig are the

two major cities of Saxony only 110 kilometers (about 70 miles) apart, and he thinks Dresden period as "10 wonderful years," he emphasizes the differences in the two musical establishments.

"In Dresden, the orchestra's home is the opera house and it plays mainly for the opera, with relatively few concerts. In Leipzig, the orchestra has its own home, although it plays for the opera and for the weekly Bach cantata performances at the Thomaskirche."

The main concert schedule includes 24 orchestral programs, each played twice, plus numerous special concerts, several long and short tours, chamber music performed mainly by ensembles drawn from the orchestra and mini-festivals devoted to Mendelssohn, Bach and, this year, Hanns Eisler — one of Bertolt Brecht's musical collaborators, whose birth centennial falls this year.

To handle this multiple load, the orchestra has a force of 185 musicians (33 first violins alone); as well as a chorus, children's and

youth choruses, not counting the church's Thomancorchor.

Another difference is that Dresden is the capital of the state of Saxony with a princely or royal history and a musical establishment that goes back 450 years, whereas Leipzig is a mercantile city and the Gewandhaus ensemble is, in effect, the town band. The orchestra's budget of some 42 million Deutsche marks (\$5.5 million) is covered by a municipal subsidy of 22 million DM, plus 10 million DM from the opera for the orchestra's services, and the rest from ticket sales and other income. There will be some repertory new to Leipzigers, to go with their familiar diet of Bach, Beethoven, Brahms, Mendelssohn, Schumann and Bruckner, according to Andreas Schulz the new *Gewandhausdirektor*, in effect the artistic administrator and Blomstedt's chief aide.

In part this is because more than a half-century of Nazi and Communist cultural quirks have left holes in the orchestra's repertory. Arthur Honegger's "Symphonie lirique" on the season-opening program and Carl Nielsen's Third Symphony are examples of established works likely to be novelties to the Gewandhaus public.

"Tradition in a positive sense is important, but so is looking to the future," said Schulz, 36. He came to Leipzig from Bremen in January at Blomstedt's behest, after thinking it over for "about a second."

One decided asset is the orchestra's third home, the Neues Gewandhaus, on the spacious Augustusplatz opposite the opera, built in 1981 after years of negotiating by Masur ("He fought like a lion for it," Blomstedt said.) Its 1,900-seat, hexagonal main hall, with a balcony surrounding the orchestra podium, is spacious, with good sight lines and fine acoustics. There is a 400-seat second hall for smaller events.

The orchestra gets its name from the original Gewandhaus — "cloth hall" — because the concert hall was installed in a building formerly used by the fabric trade. The name stuck to the orchestra and its next hall, built in 1881 and much admired in its time, which ended under World War II bombing. Instead of being rebuilt, the ruins were dynamited in 1968.

One thing that predates all three buildings, and is still prominently displayed, is the orchestra's motto, borrowed from Seneca: *Res severa verum gaudium* — True pleasure is a serious matter.



Meryl Streep after her walk among the stars on Hollywood Boulevard.

As the bard of Lake Wobegon, Garrison Keillor often ends his public radio program, "A Prairie Home Companion," by crediting what he says is the show's writing staff: Sarah Bellum, Pete Moss, Sandy Beach and Warren Peace, among others. Many longtime listeners assumed that these were made-up names and that Keillor had written every word himself. But now he is looking for a real, live writer to help out. Minnesota Public Radio, which produces the show, placed a classified advertisement in The New York Times on Sunday. "With a two-hour show every week for 34 weeks a year, that is an awful lot of material," said Christine Tschida, the producer. "Garrison does write nearly the entire program. It would be nice to have a few other submissions to take off some of the pressure."

Lisa Marie Presley's religious beliefs are off limits to lawyers defending a supermarket tabloid in her defamation lawsuit, a judge ruled. Presley sued the National Enquirer over its June 1997

story headlined "Lisa Marie Suicide Drama," which said she tried to kill herself. Her lawyer said the Enquirer wanted to use Presley's membership in the Church of Scientology as a "way to distract the case from the merits."

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The financially troubled Royal Opera

House in London has tapped the executive ranks of American Ballet Theater in appointing an executive director. He is Michael Kaiser, executive director of Ballet Theater for three years.

Sir Colin Southgate, chairman of the Royal Opera House, said that Kaiser would begin Nov. 12. Last week Southgate canceled all Royal Opera and

most Royal Ballet performances until December 1999 to enable the house to put its affairs in order.

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And Now for All Those Fans of 007...

The Associated Press

LONDON — Christie's held an auction Thursday dedicated solely to Agent 007 of Her Majesty's Secret Service. A Lotus Esprit S1 automobile fetched \$29,000 (\$49,000). Never mind that it didn't have a motor: It just happened to be the prop car featured in the 1977 James Bond movie "The Spy Who Loved Me."

The automobile was piloted by Roger Moore's version of Agent 007, and was among the 250-plus lots peddled at the auction of Bond memorabilia. Generating the most interest — and the most cash — was the lethal metal-rimmed bowler used by the assassin Oddjob, the most famous of the Bond villains, in the 1964 film "Goldfinger." An anonymous bidder, participating by phone, paid \$62,000.

A Rolex Oyster Perpetual watch worn by Moore in his first Bond film, "Live and Let Die," in 1973, brought \$22,000, more than five times the estimate.

Meryl Streep retraced her footsteps along Hollywood Boulevard, this time amid shouts and applause as she unveiled her Hollywood Walk of Fame star. More than 300 fans gathered curbside to witness the dedication of the actress star. "When I was 19, I had a date and we walked along Hollywood Boulevard," she said. "I never dreamed someday I'd be walking over me." Streep's was the 2,119th star enshrined along the walkway.



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